DYNAMIC

Ceylon Cold Stores PLC | Annual Report 2023/24

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DYNAMIC

With a legacy of over 150 years, ours is a household name that is synonymous with quality and trust. Over the years, we have thrived through ever-changing business landscapes by dynamically adapting our processes to evolving consumer preferences and market trends.

This year, we defied numerous challenges with resilience, skilfully resetting our dynamic strategies for growth, and strengthening our commitment to sustainability and corporate responsibility even further. Our dynamism and foresight have paved the way for the group to remain competitive and maintain the position as a leading Beverages and Frozen Confectionery brand while delivering superior customer service as a Supermarket chain.

We are confident that our consumer-centric approach will continue to accelerate our growth, thereby contributing to a sustainable future that creates value for our consumers and enables us to meet the evolving needs of our stakeholders.

Contents

Our History

For 158 years, we have continuously evolved our products and processes and empowered our team to stay at the forefront of our business.

Our Vision

Our passion is to deliver pleasure and nutrition throughout people's lives, through exciting and superior products, whenever and wherever they choose to eat and drink.

Our Values

INNOVATION

Changing constantly, reinventing and evolving

In trying new ideas we win or learn, there is no failure.

INTEGRITY

Doing the right thing always

Transparency is everything, so we just do it right!

EXCELLENCE

Constantly raising the bar

We get better every day.

CARING

Fostering a great place to work

We listen, we are thoughtful and we care to make a difference.

TRUST

Building strong relationships based on openness and trust

The foundation we work from.

ABOUT US

Our Approach to Reporting

Reporting Guidance

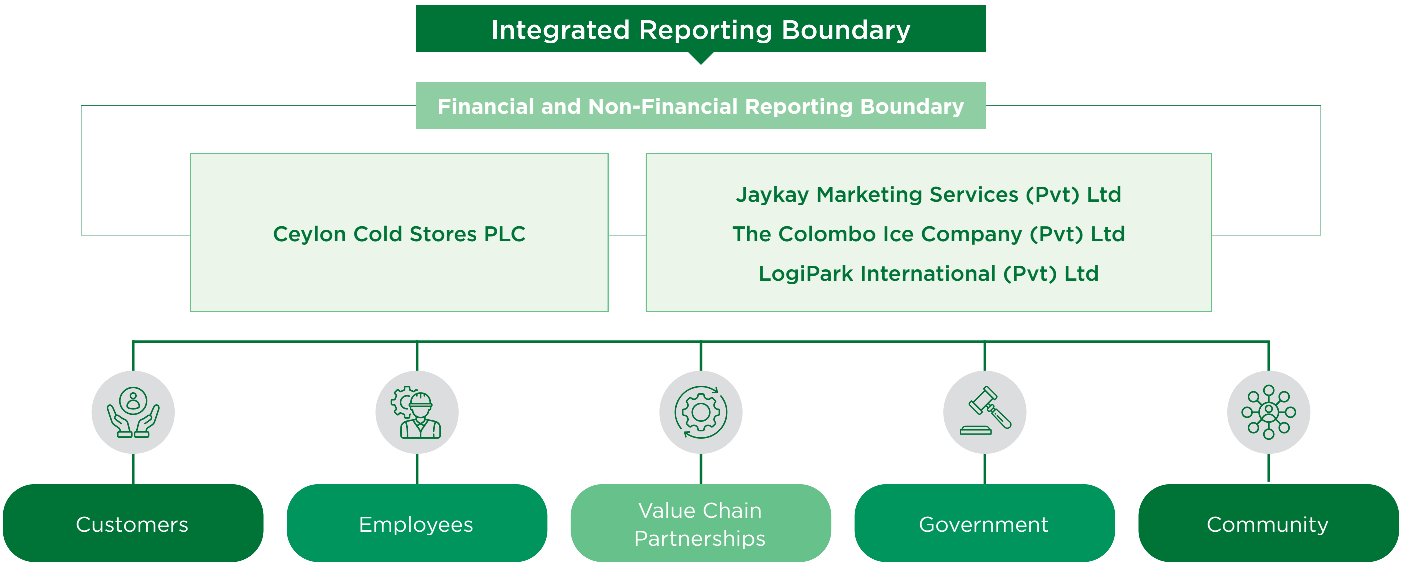
We are pleased to present our 9th Integrated Annual Report for the financial year ending 31st March 2024 which provides a holistic, balanced and concise overview of how Ceylon Cold Stores PLC ("CCS") directed strategy to create value for its stakeholders. Serving as our primary publication to shareholders, this report shares information about internal and external factors that influence the Group's value creation process including its operating landscape, corporate governance, risk management practices, strategy, performance and the way forward among others.

Reporting Entity

This Report covers the operations of Ceylon Cold Stores PLC (CCS) and its subsidiaries Jaykay Marketing Services (Pvt) Ltd (JMSL), The Colombo Ice Company (Pvt) Ltd (CICL), and LogiPark International (Pvt) Ltd (LPIL) (collectively referred to as "Group").

Reporting Scope and Boundary

The scope and boundary of our Integrated Report is presented below. The financial and non-financial information presented in the Financial Statements and the narrative represents consolidated information unless otherwise stated. The narrative extends to include information about the operating environment that is relevant to our stakeholders. The Group operates exclusively in Sri Lanka.



Reporting Period

This Report covers the period from 1st April 2023 to 31st March 2024. The Group adopts an annual reporting cycle and this Report builds on our previous Report for the financial year ending 31st March 2023.

Adapting to Developments in the Reporting Landscape

During the year, several new standards were issued that affected the preparation of our integrated Annual Report. Below, we outline the newly introduced standards and describe how we aligned our disclosures accordingly.

Standard/Regulation	How we adapted
IFRS Sustainability Reporting Standards	We are evaluating the requirements of IFRS S1 & S2 standards and intend to comply with them during the next reporting cycle in line with the requirement set out by the Accounting Standards Committee of Sri Lanka.
CSE Listing Rule No. 9 on Corporate Governance	Integrated into the Corporate Governance Report.

We have complied with the mandatory and voluntary reporting standards and codes given alongside when preparing this report.

ASSURANCE

An independent assurance on financial statements and sustainability reporting are provided by Messrs. Ernst and Young Chartered Accountants.

CHANGES TO REPORTING

There were no major changes to the Group's size, shareholding, structure or supply chain during the year under review. There were no major restatements of non-financial information disclosed in our previous Annual Report.

FINANCIAL STATEMENTS AND REPORTING

- Sri Lanka Financial Reporting Standards
- Sri Lanka Accounting and Auditing Standards

NARRATIVE REPORTING

- Integrated Reporting Framework
- GRI Universal Standards
- Sustainable Development Goals

CORPORATE GOVERNANCE

- Code of Best Practice on Corporate Governance
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987

IMPROVEMENTS TO THE REPORT

1. Aligning Corporate Governance reporting to the new developments
2. Obtaining external assurance on sustainability reporting

NAVIGATING OUR REPORT

Navigation Icons

The Capitals	Our Stakeholders	Strategic Priorities
Intellectual Capital	Customers	Sustainable Growth
Financial Capital	Employees	Fulfilling the Customer Promise
Human Capital	Investors	Empowered Team
Social & Relationship Capital	Distributors / Retailers	Managing the Value Chain
Manufactured Capital	Suppliers	Sustainable and Responsible Organisation
Natural Capital	Government & Regulators	
	Communities	

STATEMENT OF BOARD RESPONSIBILITY

The Board of Directors is ultimately responsible for ensuring the integrity of this Report. The Board hereby confirm that the 2023/24 Annual Report addresses all relevant material matters and fairly represents the Group's integrated performance, and we also confirm that the Report has been prepared in line with the guidance set out in the Integrated Reporting (IR) Framework.

The Report is approved and authorised for publication.

Signed on behalf of the Board,

Krishan Balendra
Chairperson
20th May 2024

FEEDBACK

We understand Integrated Reporting is an evolving principle and a continuous journey of improvement. We welcome your comments, suggestions and queries on this Report; please direct your feedback to,

Nelindra Fernando
Director / Chief Financial Officer
Ceylon Cold Stores PLC
148, Vauxhall Street, Colombo 02.
Email: Nelindra.ccs@keells.com

Performance Highlights

SNAPSHOT OF 2023/24

Operating Environment

- Macro-economic stabilisation and gradual recovery of economic conditions.
- Gradual uptick in consumer demand.
- Upward revisions to VAT, tax on sugar and excise duty.
- Implications of climate change on supply chains and demand dynamics.

Strategic Priorities

- Future focused the Beverage portfolio through the acquisition of a PET bottling and can manufacturing plant in Ittapana.
- Emphasis on expanding value enhancing propositions.
- Innovations in the Frozen Confectionery range.
- Proactively monitored and minimised our environmental footprint.
- Improvement of business performance by leveraging on advance data analytics.
- Enhancing customer service with innovations in product and service offering in the Supermarket business.

Way Forward

- Ongoing emphasis on enhancing our customer value proposition in line with evolving needs.
- Expand our supermarket footprint.
- Ongoing efforts to harness the strength of digital platforms and technologies to maintain our competitive edge.
- Strategic focus on minimising our environmental footprint.

Metric		2023/24	2022/23	YoY Change
STRATEGIC PRIORITY: SUSTAINABLE GROWTH				
Financial Performance				
Revenue	Rs. million	139,625	126,149	11%
Gross Profit	Rs. million	17,497	12,749	37%
Operating Profit	Rs. million	8,155	6,185	32%
Profit Before Tax	Rs. million	4,931	2,239	120%
Profit After Tax	Rs. million	3,427	2,513	36%
EBITDA	Rs. million	12,638	10,380	22%
Financial Position				
Total Assets	Rs. million	73,744	71,730	3%
Total Liabilities	Rs. million	53,293	52,653	1%
Total Debt	Rs. million	16,836	22,516	-25%
Shareholders' Funds	Rs. million	20,451	19,077	7%
Return on Assets	%	4.71	3.72	0.99
Return on Capital Employed	%	16.17	12.54	3.63
Debt/Equity	%	82.32	118.02	(35.70)
Interest Cover	No. of times	2.43	1.51	0.92
Working Capital				
Current Assets	Rs. million	23,429	22,430	4%
Current Ratio	No. of times	0.66	0.68	(0.02)
Quick Ratio	No. of times	0.27	0.20	0.07
Shareholder Information				
Earnings per Share	Rs.	3.61	2.64	0.97
Dividends per Share	Rs.	1.87	1.19	0.68
Net Asset Value per Share*	Rs.	21.52	20.07	1.45
Closing Share Price	Rs.	53.90	40.00	13.90
Price Earnings Ratio	No. of times	14.95	15.13	(0.18)
Dividend Payout	%	51.84	44.91	6.93
Dividend Yield	%	3.47	2.97	0.50
Market Capitalisation	Rs. million	51,227	38,016	35%
Enterprise Value	Rs. million	77,282	69,895	11%

**Net asset per share has been calculated, based on the number of shares in issue as at 31st March 2024.*

Metrices		2023/24	2022/23	YoY Change
MANUFACTURED CAPITAL				
Property, Plant and Equipment	Rs. million	27,746	27,250	2%
Capital Expenditure	Rs. million	4,098	4,933	-17%
Supermarket Outlets (Keells)	No.	134	131	3*
HUMAN CAPITAL				
Strategic Objective: Empowered Team				
Total Employees	No.	7,357	7,568	(211)
Payments to Employees	Rs. million	10,192	9,218	974
Employee Retention Rate	%	17	22	(5)
Female Representation	%	42	41	1
Investment in Training	Rs. million	84	71	13
Total Training Hours	Hours	162,173	154,410	7,763
Average Training Hours/Employee	Hours	22	20	2
Workplace Injuries	No.	191	195	(4)
Graduates from JMSL Training Academy	No.	233	764	(531)
SOCIAL AND RELATIONSHIP CAPITAL				
Strategic Priority: Fulfilling the Customer Promise				
New Products Launched	No.	11	13	(2)
New Supermarket Outlets Opened (Keells)*	No.	4	4	-
Non-Compliance to Product Responsibility Regulations	No.	Nil	Nil	-
Strategic Priority: Value Chain and Community Development				
Payments to Suppliers	Rs. million	122,184	116,688	5,496
No. of Farmer Training Programmes Conducted	No.	96	88	8
Investment in CSR	Rs. million	42	49	(7)
Volunteer Hours	No.	2,059	1,946	113
NATURAL CAPITAL				
Strategic Priority: Preserving the Planet				
Energy Consumption	GJ	338,477	300,225	13%
Water Withdrawal	M^3	753,070	693,914	9%
Solid Waste	MT	5,751	4,232	36%
Effluents	M^3	163,867	159,107	3%
Carbon Footprint	tCO_2e	59,507	48,378	23%
Energy Intensity - Manufacturing	GJ/1,000 Ltrs	1.012	1.026	-1%
Emission Intensity - Manufacturing	tCO_2e/1,000 Ltrs	0.164	0.157	4%
Water Intensity - Manufacturing	Ltrs/1,000 Ltrs	4,908	4,081	20%
Energy Intensity - Supermarket	GJ/Sqft	0.134	0.131	2%
Emission Intensity - Supermarket	tCO_2e/Sqft	24.24	21.69	12%
Water Intensity - Supermarket	Ltrs/Sqft	0.16	0.20	-20%
INTELLECTUAL CAPITAL				
Investment in R&D	Rs. million	85	68	17
New Products Launched	No.	11	13	(2)

**4 outlets were opened and 1 outlet was closed down during the year.*

Rs. 139,625 Mn
Revenue
(+11%)

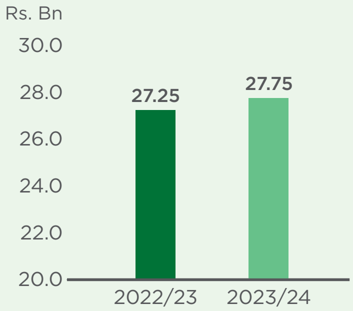
Rs. 17,497 Mn
Gross Profit
(+37%)

Rs. 73,744 Mn
Total Assets
(+3%)

Performance Highlights

Manufactured Capital

Property, Plant and Equipment



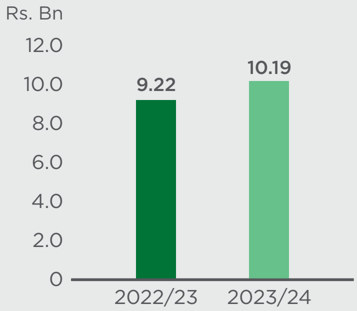
Acquisition of a PET bottling and can Manufacturing Plant

134
Supermarket outlets

Rs. 4,098 Mn
Capital Expenditure
(-17%)

Human Capital

Payments to Employees



	2023/24	2022/23
No. of employees	7,357	7,568
Retention rate (%)	17	22
Investment in training (Rs. Mn)	84	71
Female representation (%)	42	41
Workplace injuries	191	195

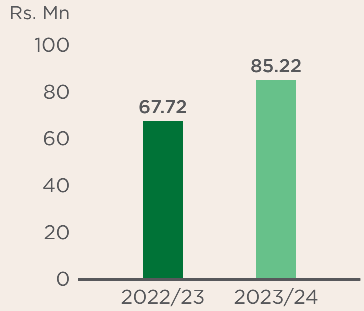
Employee Satisfaction

71%
Manufacturing
(-9%)

80%
Supermarkets
(-1%)

Intellectual Capital

Investment in R&D



16th most valuable brand in Sri Lanka in 2023*

Elephant House Cream Soda won the SLIM Beverage Brand of the Year

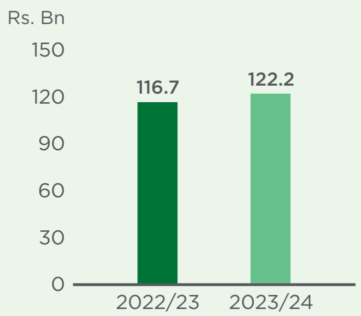
2nd most valuable supermarket brand in Sri Lanka in 2023*

**Brand Finance (2023)*

11 New products launched by the Manufacturing Sector
(-2)

Social and Relationship Capital

Payments to Suppliers



3.3
Store equity index

96%
Local procurement

26
New distributors added

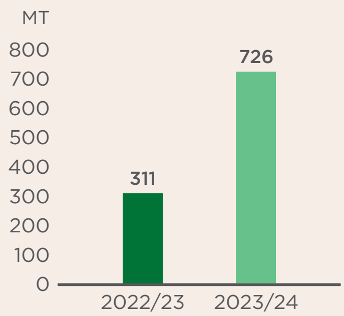
37
New suppliers added

484
farmers supported through Keells Govi Diri Programme

Over
7,860
CSR beneficiaries

Natural Capital

Plastic Collection



	YoY change
Energy consumption	13%
Water withdrawal	9%
Solid waste	36%
Carbon footprint	23%

726 MT
(+133%)
Plastic collected and recycled.

Emission intensity

0.164 tCO_2e/ **1,000 Ltrs**
Manufacturing
(+4%)

24.24 tCO_2e/ **Sqft**
Supermarkets
(+12%)

Chairperson's Message

INTRODUCTION

On behalf of the Board, it is my pleasure to present the Integrated Annual Report and the Audited Financial Statements of Ceylon Cold Stores PLC (CCS) for the year ended 31st March 2024. The CCS Group achieved a strong growth of 120% in Profit Before Tax (PBT), attributable to our focused strategy implementation and the recovery of the macroeconomic environment of the country.

OPERATING LANDSCAPE

The Sri Lankan economy recorded a gradual recovery during the latter part of calendar year (CY) 2023, marking the end of a prolonged period of economic contraction spanning six consecutive quarters. Growth was driven by multiple much-needed policy adjustments and structural reforms implemented by the Government and the Central Bank of Sri Lanka (CBSL) since end CY 2022. Inflation significantly decelerated to a single digit by the end of the calendar year, on the back of various policy actions aimed at controlling inflation levels from the peak levels of 70% witnessed in CY 2022. Considering the relatively stable inflation indicators, and in order to support the rebound of domestic economic activity, the CBSL reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 550 basis points each, respectively, in CY 2023. The persistent twin deficits in the Government's overall budget and the external current account, which contributed to the economic downturn, among many other contributory factors, exhibited signs of significant improvement in CY 2023. Both the Government's primary balance and the external current account recorded a surplus in CY 2023. There was also a sustained and strong build-up of the external reserves position of the country to USD 4.4 billion by the end of CY 2023 [CY 2022: USD 1.9 billion].

The country witnessed a notable increase in foreign exchange inflows primarily driven by tourism and other services exports, particularly remittances from overseas workers. This recovery in foreign exchange inflows coupled with lacklustre import demand, including import restrictions during most parts of the year, and a cessation of foreign currency debt service obligations helped alleviate the severe foreign exchange shortage experienced during the economic crisis. Bolstered by such developments and aided by improved market confidence, the Sri Lankan Rupee also strengthened significantly by ~11% on average during 2023/24.

These outcomes eased the pressure on disposable income, impacted by direct and indirect taxes and the increase in power and energy costs. However, the increase in the Value Added Tax (VAT) rate from 15% to 18% and the elimination of VAT exemptions impacted spending on discretionary items during the fourth quarter of the financial year. In terms of cost pressures, in November 2023, the Special Commodity Levy (SCL) imposed on imported sugar increased from Rs. 0.25 to Rs. 50 per Kg with excise duty on Carbonated Soft Drinks (CSD) and Fruit Drinks being increased by 16% in January 2024. The duty waiver on imported Skimmed Milk Powder (SMP) was removed and a Customs Import Duty (CID) of Rs. 225 per Kg was imposed in August 2023. Moreover, SMP was made liable to the Port and Airport (Development) Levy (PAL) at 10% from September 2023. Electricity tariffs were increased on average, by 40% in February 2023, reduced by 9% in July 2023 and increased by 12% in October 2023, while tariff rates were subsequently revised downwards on average by 18% in March 2024. Fuel prices decreased ranging between 12% to 26% across different categories during the year, providing a measure of relief after the sharp increases witnessed during the previous financial year.

Overall, the CCS Group recorded an increase in sales volumes across both the Manufacturing and Supermarkets Sectors during the year under review, benefitting from reduced inflation and resultant alleviation of pressure on disposable income. Gross profit margins also improved, aided by the reduction in input material costs from the previous peaks including the appreciation of the Sri Lankan Rupee and reduction in overhead costs. Additionally, working capital cycles normalised during the year supported by supply chain stability and easing of import restrictions.

The Manufacturing Sector recorded an increase in volumes in both the beverages and frozen confectionery categories in 2023/24, driven by improved consumer spending, particularly during the latter half of the year as inflation began to subside. Despite an initial decline in overall volumes during the first quarter, there was a noteworthy resurgence in the second and third quarters, even amidst unfavourable weather conditions where heavy rains experienced during the third quarter of the year dampened volumes to some extent. However, despite the adverse weather in the third quarter, the categories witnessed encouraging volume growth in the seasonal month of December 2023. Both categories concluded the year with robust volume growth in the fourth quarter, driven by seasonal sales and favourable weather conditions, albeit from a lower base compared to the fourth quarter of 2022/23, where consumer disposable income was impacted by the increase in personal income taxes implemented from 1st January 2023.

The beverages category was impacted by the increase in taxes on imported sugar, VAT and excise duty which exerted pressure on margins, necessitating the revision of maximum retail price for certain pack sizes. The margins on the frozen confectionery category were also impacted by the increase in taxes on import of sugar as well as additional taxes on the import of SMP. Further pressure was exerted on margins for both categories due to the increase in electricity tariffs, although these were revised down in March 2024. However, in the frozen confectionery category no price adjustments were made due to the increase in the VAT rate during the year. Overall, the distributor network remained stable, supported by increased volumes, which helped alleviate liquidity pressures and reduce interest costs.

The Supermarket Sector witnessed a strong growth in performance during the year, driven by a 12% growth in same store sales. This growth was driven by an increase in footfall, which demonstrates the continued potential for higher penetration of certain customer segments. In the first quarter, same store sales increased by 17.6% and moderated to 10.7% in the fourth quarter in comparison to the same periods of the previous year. Same store footfall growth increased by 8.9% in the first quarter and maintained double digit growth across the next three quarters compared to the corresponding periods of 2022/23. This growth was driven by improved availability of items, seasonal sales and the conversion from general trade to modern trade. During the first quarter of the year, the average basket values recorded a positive growth at 8.1%, however this shifted in the subsequent quarters, recording a negative growth of 0.2%, 4.3% and 3.2% in second, third and fourth quarters, respectively. This was mainly due to the reduction in spending on non-essential items and the imposition of indirect taxes. Overall performance was bolstered by various productivity and cost efficiency initiatives and supplier negotiations. Moreover, declining interest rates eased pressure on overall profitability of the Supermarket Sector due to the reduction in finance costs. The easing of import restrictions also paved the way for normalising imports, albeit at lower levels, improving product availability for our customers.

PERFORMANCE REVIEW

CCS Group's turnover increased by 11% to Rs. 139.6 billion, driven by volume increases in both the Manufacturing and Supermarket Sectors. The Supermarket Sector contributed Rs. 111 billion to revenue, representing an 80% share, while the Manufacturing Sector contributed the remaining 20%. PBT improved substantially by 120% to Rs. 4.9 billion, with improved contributions from both Sectors with the Manufacturing Sector accounting for 66% of the Group's reported PBT. Further, finance costs decreased by 18% to Rs. 3.4 billion, supported by lower interest rates, settlement of long-term loans, and the normalisation of operating cycles.

MANUFACTURING SECTOR

The Manufacturing Sector reported a revenue growth of 8% reaching Rs. 28.6 billion, driven by volume growth in both the beverages and frozen confectionery categories. The Manufacturing Sector's PBT improved by a noteworthy 229% to reach Rs. 3.2 billion, albeit off a subdued base for last year, driven by enhanced margins due to higher volumes, decreased inflation and appreciation of the Sri Lankan Rupee. Additionally, the Sector benefited from a reduction in finance costs, facilitated by normalisation of working capital cycles and the reduction in interest rates.

Beverages

The beverages category demonstrated a robust revenue growth of 15%, driven by a combination of both volume growth of 7% and a ~13% increase in maximum retail prices on CSD, across all pack sizes. During the first half of the year, the CSD segment recorded a marginal volume growth of 1%, followed by a significant surge in volumes of 22% in the second half of the year. The CSD segment maintained its market share throughout the year, with the introduction of the 250 ml PET pack capturing a substantial market share, reflecting a preference for PET over returnable glass bottles (RGB) due to its convenience. During the year under review, the PET: RGB mix stood at 91:9, compared to 89:11 in 2022/23. The fruit juice category recorded a volume degrowth of 2%, while the dairy category experienced a volume reduction of 27% following the discontinuation of fresh milk from January 2024, with the category continuing only with 180 ml flavoured milk. The water category recorded a 8% volume decrease due to increasing regional competition. During the year, the water category introduced a 5 litre water pack to the market. Distribution channels saw positive growth, with volumes in general trade and modern trade increasing by 4% and 17%, respectively, reflecting focused distribution and brand-building efforts. Volumes in the Hotel- Restaurants - Catering (HoReCa) channel increased by 49%, reflecting an uptick in social activity and a resurgence in tourist arrivals. Gross margins in the beverage category improved by 10% from the previous year, attributed to increased sales volumes, stabilisation of raw and packaging material costs, appreciation of the Sri Lankan Rupee, and reduced factory overhead expenses.

The 'Elephant House' brand continues to maintain its prominent presence through sponsorships of youth and sports programmes such as Derana Dream Star, the Sri Lanka Premier League, the Cricket World Cup series and the International Book Fair. The 'Elephant House Cream Soda' was honoured with the esteemed title of 'Beverage Brand of the Year' at the prestigious People's Awards, a testament to its popularity among consumers. Further the Beverage Category made strides in the advanced analytics

Chairperson's Message

transformation programme during the year, where several well-defined advanced analytics use cases earmarked for the beverages category were successfully deployed aimed at augmenting the efficiency of the distribution network and driving volume.

Frozen Confectionery

The frozen confectionery category continued to maintain its market leadership position amidst competition during the year under review. Despite factors such as adverse weather conditions over extended periods, higher utility costs and reduced disposable income, the category recorded a volume growth of 4% compared to the previous year. This growth was primarily driven by the bulk segment, which recorded a growth of 5% in volumes, attributable to improved consumer sentiments and to seasonal demand. However, the impulse segment recorded a 2% decline in volumes, attributable to adverse weather conditions that prevailed for most part of the second half of the year. While the frozen confectionery category experienced a 6% volume decrease in the first half of the year, it witnessed a remarkable rebound in volumes during the second half of the year, achieving a growth of 15%, supported by improved consumer sentiments and seasonal sales. Our premium range 'Imorich' performed strongly recording a 51% growth in volume compared to the previous year.

The frozen confectionery category recorded a 10% improvement in gross profit margins compared to the previous year primarily driven by a reduction in input material costs including the strengthening of the Sri Lankan Rupee. Given the margin improvement, the business undertook price reductions, where possible, in selected stock keeping units (SKUs), particularly in the impulse segment. The bulk: impulse volume mix for the year stood at 64:36, compared to 62:38 recorded in the previous year. The general trade channel, which is the largest contributor to sales, recorded a 4% decrease reflecting pressure on consumer discretionary purchases, due to impact of increased taxes, higher utility costs and adverse weather conditions. The modern trade channel recorded a growth of 8%, while both the HoReCa and mobile channels recorded a growth of 10% each, reflecting the revival in tourism and out of home consumption. The frozen confectionery category revamped the value proposition for distributors to incentivise productivity and profitability by realigning the geographical area covered by distributors while extending the product portfolio to cover both bulk and impulse products. Additionally, the frozen confectionery category supported volume growth through focused efforts on visibility and marketing campaigns, specially the 'Elephant House Super Heroes' and 'Senahase Sisilasa' campaigns.

During the year, the frozen confectionery category won several awards at the Sri Lanka Institute of Marketing (SLIM) Brand Excellence Awards 2023. The 'Elephant House' ice cream was awarded gold for 'Product Brand of the Year' and won the silver award for 'Local Brand of the Year'. Additionally, the frozen confectionery category received two gold awards at the SLIM National Sales Awards 2022/23. Further, as part of its advanced analytics transformation programme, the frozen confectionery category has rolled out two use cases aimed at improving distribution efficiencies and driving sales.

SUPERMARKET SECTOR

The Supermarket Sector recorded 11% growth in revenue supported by a consistent double-digit growth in same store sales across the year. However, reduction in spend on non-essential items resulted in smaller basket sizes impacting profitability. Consequently, operating profit recorded during 2023/24 decreased by 2% as compared to the previous financial year. To mitigate subdued consumer sentiments due to pressures on disposable income, agile marketing strategies were implemented based on consumer insights, together with a shift in focus to essential items and expansion of the private label range to give affordable options. The private label product range was extended with the addition of 71 items including reactivations, while ~700 SKUs were offered at promotional prices. Outlets significantly improved on availability of product options with the lifting of import restrictions and the gradual macroeconomic recovery. The Sector continues to enhance the customer retail experience with hot food offerings, catering to modern lifestyles. Centralised logistics played a pivotal role in driving operational efficiencies, supported by digital platforms and data analytics tools, which facilitated a deeper understanding of evolving customer needs, increased supply chain efficiency, and improved management decision making. The Sector established 'Keells Insights', leveraging the expertise developed in data analytics to provide consumer insights to Fast Moving Consumer Goods (FMCG) businesses, for the development of targeted promotional campaigns, extending revenue sources beyond supermarket outlets. The 'Nexus' loyalty programme, with over 2 million members has enabled us to offer tailored promotions to drive footfall. Controls over personal-data protection and cyber security were strengthened during the year, protecting the Group's information assets. These measures reflect the Sector's commitment to ensuring the security and confidentiality of customer data while leveraging data analytics to drive business growth, enhance customer experience and further improve operational efficiency.

FINANCIAL PERFORMANCE

The CCS Group's consolidated revenue increased by 11% to Rs. 139.6 billion during the year compared to the previous year, driven by the Manufacturing and Supermarket Sectors recording an increase of 8% and 11%, respectively. The Supermarket Sector and the Manufacturing Sector contributed 80% and 20% respectively to the overall Group's revenue. The consolidated gross profit increased by 37% to Rs. 17.5 billion as compared to the previous year, supported by reductions in input costs stemming from the normalisation of commodity prices and the strengthening of the Sri Lanka Rupee, despite the impact from increased import taxes. The consolidated operating profit grew by 32%, with a 123% increase in the Manufacturing Sector and a decline of 2% in the Supermarket Sector moderated by increases in utility and other operational costs. The CCS Group improved its operating profit margin to 6% during the year, with the Manufacturing and Supermarket Sectors recording operating profit margins of 13% and 4%, respectively. The Group's finance costs reduced by 18%, attributed to the reduction in interest rates and the normalisation of working capital cycles. Group tax expense amounted to Rs. 1.5 billion, which is a 650% increase over the previous year, where the corresponding period had a one-off reversal of the deferred tax provision of Rs. 992 million on account of enhanced capital allowance. The Group recorded an improvement in Profit After Tax (PAT) of 36% for the year compared to the previous year. The Group continued to maintain a strong financial position with total assets increasing by 3% to Rs. 73.7 billion. The consolidated total debt decreased by 25% to Rs. 16.8 billion as at end March 2024 with the easing of liquidity pressures.

GROWTH & INNOVATION

In February 2024, CCS partnered with Reliance Consumer Products Limited (RCPL), the FMCG arm and wholly owned subsidiary of Reliance Retail Ventures Limited (RRVL) India, to manufacture, market, distribute and sell beverages under the 'Elephant House' brand in India. The Manufacturing Sector also invested Rs. 750 million to acquire a PET bottling and can manufacturing plant in Ittapana. This acquisition is expected to support the expansion of the product portfolio, in terms of additional capacity for PET production and to enter a new market segment via canned beverages. The frozen confectionery category introduced 'ice pops', a product range targeting the low-cost water ice segment to appeal to a larger customer segment, reaching consumers through ~25,000 outlets.

In relation to the Supermarket Sector, although the expansion of the 'Keells' outlet network was moderated during the first half of the year under review, given the easing of construction costs and the stabilisation of the macroeconomic environment in the country, the business commenced its outlet expansions on a case-by-case basis. Accordingly, 4 new outlets were opened during the year whilst 1 outlet was closed, bringing the total outlet count to 134 outlets as of 31st March 2024.

ESG INTEGRATION

The CCS Group's Environmental, Social, and Governance (ESG) strategy, which is aligned with the governance and sustainability management frameworks of the John Keells Group, continued to uphold sustainability and governance considerations as fundamental aspects of business operations. As an early champion of sustainability and reporting, the CCS Group has well established policies, reporting processes and high level of awareness within our teams. Our focus remains on ensuring the sustainability of our value chains, while collaborating with the John Keells Foundation on sustainability initiatives that extend beyond. Strategic priorities for the CCS Group include enhancing energy efficiency, increasing renewable energy generation through the installation of solar panels, partnering and supporting plastic waste recycling initiatives and reducing plastic and polythene usage across our operations. These initiatives underscore our commitment to environmental sustainability and responsible business practices.

Initiatives within the Manufacturing Sector are encompassed within the multifaceted 'Gunadamin Elephant House' programme. The main focus of this programme is plastic waste management given that our core business involves manufacturing products utilising PET as its principal packaging material. Understanding our impact on the environment, we have launched several initiatives aimed at ensuring responsible disposal and recyclable plastic waste. Accordingly, we set up 8 Material Recovery Facilities (MRF) centres across the country, through which over 726 MT of plastic waste, which is an equivalent to ~20 million bottles were collected and recycled during the year. 'Gunadamin Elephant House' in partnership with USAID'S Ocean Plastic Reduction Activity established 4 women led MRF centres along the coastal belt, with the aim of empowering women while addressing plastic waste management. Further, the Manufacturing Sector through the 'Pasal Diriya' programme, provided meals for ~860 children during the year. The Supermarket Sector focused on reducing emissions through rooftop solar installations to support a part of its energy requirement in outlets. The Sector also continued its ongoing initiatives to minimise the consumption of single-use polythene, plastic and paper across all outlets. Addressing food waste throughout the supply chain and at outlets remained a key focus area, contributing to food security. The Supermarket Sector

Chairperson's Message

is committed to upholding ethical sourcing practices, strengthening the sustainability of our supply chains and promoting sustainable water consumption across operations as well as among our farmer community through the 'Keells Govidiri' programme. With over 1,804 local farmers supplying fresh produce to the supermarkets, the Supermarket Sector has established a strong value proposition for farmers under the 'Govidiriya' programme.

GOVERNANCE

I am pleased to state that there were no reported violations of the Group Code of Conduct and Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

INTEGRATED REPORTING

This Report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Board of Directors is responsible for ensuring the accuracy and integrity of this Annual Report. We confirm, to the best of our knowledge, the credibility, reliability and integrity of the information presented, and, in this regard, external assurance has also been sought from independent auditors, as applicable.

INSPIRING OUR TEAM

A committed team of 7,357 employees drives our performance and shapes the culture of the Group. We prioritise and invest in building robust talent pipelines and encourage opportunities for growth and development. During the year under review, the CCS group enhanced its recruitment strategy, employee engagement, training and development programmes and career progression opportunities to attract and retain high-performing employees. Despite facing challenges such as high executive team attrition due to migration and overseas opportunities, we remained steadfast in our commitment to our employees. The Group's cost of remuneration to employees was Rs. 10 billion during the year under review while over 162,173 hours of training and development was provided to our employees, supporting career growth. The Group also focused on increasing diversity among our workforce particularly in the sphere of achieving gender balance. Policies and procedures are in place to safeguard the physical and mental well-being of our employees. Additionally, the Company continues to maintain cordial relations with trade unions, facilitating a historic discussion between the two unions in the Manufacturing Sector.

VALUE TO SHAREHOLDERS

The Board has recommended the payment of a final dividend of Rs. 0.89 cents per share, in addition to the interim dividend of Rs. 1.43 per share paid in March 2024, resulting in a total dividend per share of Rs. 2.32 for the financial year 2023/24. Accordingly, the total payout from PAT for the year, amounts to Rs. 2.2 billion which translates to a 64% payout ratio.

OUTLOOK

Consumer discretionary spending is expected to sustain its recovery trajectory similar to the trends seen in late 2023/24 and April 2024, bolstered by a stable macroeconomic environment and inflation rates. While volume growth is expected to align closely with overall economic trends, maintaining the momentum witnessed in recent quarters, market prices should remain relatively stable. However, potential risks could dampen spending on non-essential items. The recovery in HoReCa segment is expected to mirror the gradual revival of the tourism industry and improved consumer sentiments. Reflecting shifts in household income and affordability, smaller pack sizes in the beverages and frozen confectionery categories are positioned to capture a larger market share. Despite recent reductions in electricity tariffs which are expected to benefit the Company in the short-term, energy costs remain a key risk. CCS is committed to proactive monitoring and adaptive pricing strategies to effectively manage the elasticity of product demand in its portfolio. Improvements in the country's foreign exchange liquidity and the appreciation of the Rupee are likely to help mitigate input costs. However, global geopolitical tensions, such as the Israel-Palestine conflict and domestic developments are potential risk that could escalate input costs and impact margins. Operational efficiencies will be further augmented through the roll out of advanced analytics use cases to further enhance production planning, aiming for long-term sustainable growth. The Company will continue to prioritise engagement with suppliers and distributors to ensure a seamless supply chain. This strategy is aimed at strengthening the procurement process, improving the management of the working capital cycle, reducing credit risk exposure and streamlining the distributor network for future stability.

In the Manufacturing Sector, market strategies will be adapted to meet changing consumer preferences. In the beverages category, while the share of CSD is expected to diminish over time, the industry's growth prospects remain promising. We will focus on expanding our non-CSD range, consolidating our existing CSD portfolio, and exploring new marketing channels and operating models in response to changing consumer behaviour. Our commitment to environmental sustainability remains at the forefront as we explore alternative packaging solutions to minimise the impact of our operations on the environment. Additionally, the collaboration with Reliance Consumer Products (RCPL) marks the entry of the 'Elephant House' brand into India, aligning with our overseas expansion strategies. Efforts will also be directed towards streamlining operations at the recently acquired PET bottling and can manufacturing plant, and new canned beverages and variants are slated to launch. The global frozen confectionery market has shown resilience and significant growth, driven by urbanisation and rising disposable incomes. In Sri Lanka, given the lower per capita consumption in ice creams compared to global averages, there continues to be a substantial growth opportunity in this segment. We anticipate a shift towards impulse products, which will drive an increase in per capita ice cream consumption whilst assisting in boosting overall operating margins for the Sector. The key focus areas for the frozen confectionery category includes further consolidation of the existing portfolio, expansion of the distribution channel, and improving the manufacturing process.

The Supermarket Sector is poised to continue its growth trajectory, primarily driven by increased footfall and sustained demand for essential goods, despite broader economic challenges. The Supermarket Sector anticipates continued strong consumer spending, especially on essential goods, personal care products, and everyday household items. However, shifts in consumer spending behaviour and increased price sensitivity, particularly toward non-essential and luxury items, have been observed. This trend is expected to continue, partly due to the increase in VAT rates and the removal of VAT exemptions on several essential items. Considering product availability and decrease in supply chain disruptions, the transition from general to modern trade is set to continue. The state-of-the-art distribution centre (DC) remains pivotal in managing supply chain disruptions and ensuring optimal supply to outlets. Additionally, recent reductions in electricity tariffs should provide short-term cost relief, though power and energy costs continue to be significant factors in the overall cost structure of the DC. Investment per outlet has increased significantly, paralleled by substantial revenue growth, influencing the feasibility of new outlet openings as part of a selective expansion strategy. The Company will continue to evaluate and monitor expansion closely to ensure expected returns are met, considering the investment required for the new outlets. Mature stores within the network will be identified for potential upgrades to expand their offerings.

ACKNOWLEDGEMENTS

I take this opportunity to extend my gratitude to my esteemed colleagues on the Board for their valuable counsel and support during the year. Mr. M Hamza will retire from the CCS Board having completed 9 years on the Board and I would like to place on record our deep appreciation for the invaluable contribution made by Mr. M Hamza during his tenure as a Director. I extend my appreciation to the dedicated employees of the CCS Group for their commitment and dedication and delivering a year of strong performance. On behalf of the Board, I thank all our valued stakeholders, including distributors, suppliers and business partners for their continued trust and loyalty as we recognise and value the integral role each of them play in our collective success. I express gratitude to our investors for their continued confidence in the CCS Group.

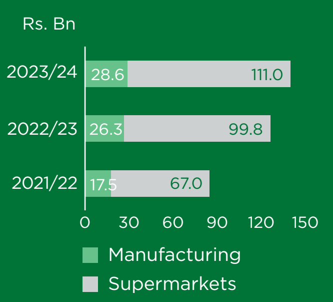
Krishan Balendra

Chairperson

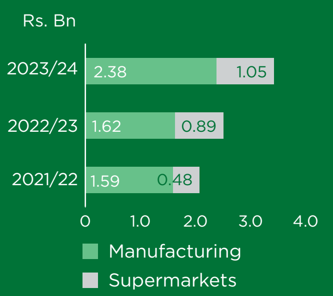
20th May 2024

CCS at a Glance

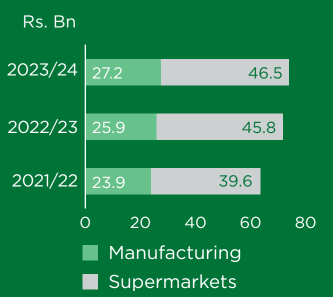
Revenue



Profit After Tax



Total Assets



Our Value Proposition

Manufacturing

A diverse and evolving portfolio of Beverages and Frozen Confectionery products that cater to consumer needs and occasions.

A superior retail experience through technology-driven solutions, an extensive product range and exceptional service quality.

Supermarkets

The CCS Team

A diverse and multi-skilled team of 7,357 employees dedicated to overcoming challenges through innovative solutions to achieve organisational goals.

A Portfolio of Iconic Brands

Ranked among the country's most loved brands (Brand Finance 2023).

2nd most valuable supermarket brand in Sri Lanka in 2023 (Brand Finance 2023).

A Sustainable and Responsible Organisation

Sustainability considerations are embedded across every aspect of our business, enabling us to create shared value for the communities we operate in, while propagating environmentally responsible practices across the value chain.

Our Value Chain Partners

We create value for over **2,966** distributors and suppliers across our operations.

The CCS Group

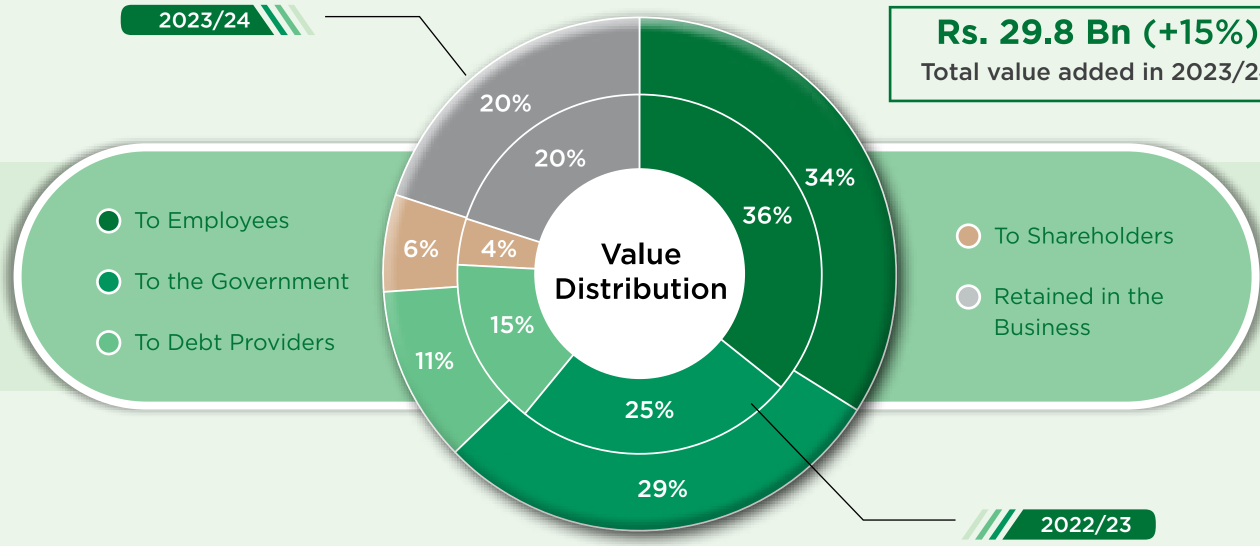
CCS is a leading manufacturer and distributor of Beverages and Frozen Confectionery products, offering a diverse product portfolio that has evolved over its rich legacy spanning over 15 decades. Despite an intensely competitive operating landscape, CCS has retained its market position in both categories, supported by its agility in responding to shifts in consumer preferences, the strength of its iconic brands and island-wide distribution network. The Group's supermarket arm, Jaykay Marketing Services (Pvt) Ltd (JMSL) operates the Keells Supermarkets chain, a leading player in Sri Lanka's modern trade industry with a network of 134 outlets and industry-leading standards in convenience and service quality.

Building Resilient Value Chain

ECONOMIC VALUE CREATED

As an organisation with an extensive local footprint through its Manufacturing and Supermarket segments, the Group has a significant impact on the socio-economy of the country. Our contribution was particularly significant during 2023/24, given the macro-economic environment of the country which are summarised below.

Rs. 29.8 Bn (+15%)
Total value added in 2023/24



Taxes paid to the Government
Rs. 8,756 Mn (+37%)

We provided employment to 7,357 people with female representation of 42%.

Payments to employees
Rs. 10,192 Mn (+11%)

Created value for our value chain partners through proactive engagement, ethical and sustainable business practices and capacity building initiatives.

Payment to suppliers
Rs. 122,184 Mn (+5%)

Suppliers, distributors and farmers assisted through capacity building initiatives
13,845 (+13%)

Investment in plastic recycling initiatives
Rs. 11 Mn (-52%)

Quantity of plastic recycled during 2023/24
726 MT (+133%)

Returns to capital providers
Rs. 5,023 Mn (-1%)

Earnings Per Share (EPS)
Rs. 3.61 (+36%)

Market Capitalisation
Rs. 51,227 Mn (+35%)

Community engagement through impactful CSR initiatives.

Investment in CSR initiatives
Rs. 42 Mn (-15%)

No. of beneficiaries
Over 7,860

Value Created	2023/24 Rs. Mn	2022/23 Rs. Mn
Revenue	139,625	126,149
Other operating income	2,954	2,599
Cost of materials & services brought in	112,779	102,890
Value added	29,800	25,858

Value Creation Model

The Group's value creation model describes how we generate value to our stakeholders by leveraging the resources and relationships, we have to drive our strategic ambitions. In this value transformation process, the Group nurtures, preserves and makes trade offs in capital inputs, which in turn leads to stakeholder outcomes. The value creation model is central to everything we do, providing a blueprint for how we utilise, transform and nurture our capitals.

Our Inputs

Financial Capital

Our financial resources are vital to achieving our strategic ambitions and are represented by

- Shareholders' funds Rs. 20.5 Bn
- Debt Rs. 16.8 Bn

Manufactured Capital

Represented by our physical infrastructure that enables us to manufacture, distribute and sell our products.

- 4 manufacturing facilities for the production of Beverages and Frozen Confectionery products.
- 134 supermarket outlets
- 240,000 sqft state of the art distribution centre in the Supermarket Sector.

Human Capital

The CCS team of 7,357 employees brings unique skills and competencies to the business, driving innovation and facilitating the customer experience.

Social and Relationship Capital

Our social and relationship capital represents the collaborative partnerships we have nurtured with customers, suppliers, channel partners and the communities we operate in.

Intellectual Capital

Our brands, extensive recipe library of product formulation, capacity to innovate and the unique tacit knowledge garnered over 158 years of operations.

Natural Capital

The natural resources that are inputs to our manufacturing and supermarket operations including energy, water and raw materials.

Value Transformation Process

Macro-economic landscape

Evolving consumer preferences

Environmental risks

Our Vision

CCS

Our passion is to deliver pleasure and nutrition throughout people's lives, through exciting and superior products, whenever and wherever they choose to eat and drink.

JMSL

Improve the quality of life for the nation.

Our strategic priorities

- Sustainable growth
- Fulfilling the customer promise
- Empowered team
- Managing the value chain
- Sustainable and responsible organisation

Delivered through our business verticals

Manufacturing Sector

- Beverages
- Frozen Confectionery

Supermarket Sector

Underpinned by

- Robust Corporate Governance
- Risk Management

Operating Context

Government policy

Digital disruption

Labour migration

Outputs

Beverages

- Carbonated soft drinks
- Fruit drinks
- Standardised milk
- Flavoured milk
- Fruit flavoured tea
- Water

Frozen Confectionery

- Bulk Ice Cream
- Impulse Ice Cream
- Waffle Cones
- Ice Cubes
- Frozen Yoghurt
- Ice Pops

Supermarkets

In-person and online shopping experience delivered through our 134 supermarket outlets

Impacts

Solid waste : **5,751** MT (+36%)

Effluents : **163,867** M^3 (3%)

Carbon footprint : **59,507** tCO_2e (+23%)

Outcomes

Created sustained value for our providers of capital.

- Profit after tax : Rs. 3,427 Mn (+36%)
- Earnings per share : Rs. 3.61 (+36%)
- Net asset value per share : Rs. 21.52 (+7%)
- Market value per share : Rs. 53.90 (+35%)

- Acquisition of a PET bottles and can manufacturing plant.
- Expanded the supermarket footprint through the addition of 4 new outlets
- Upgraded 4 supermarket outlets to Extended format stores
- Property, plant and equipment : Rs. 27,746 (+2%)

Created a challenging, rewarding and equitable working environment.

- Payments to employees : Rs. 10,192 Mn (+11%)
- Employee satisfaction score – Supermarket : 80%
- Employee satisfaction score – Manufacturing : 71%

Deepened collaborative partnerships with suppliers and channel partners while responding to evolving customer needs.

- 26 new distributors and 37 new suppliers added
- Rs. 122,184 Mn (+5%) payments to suppliers
- 536 farmers trained in climate resilient agricultural practices

Relevant and impactful community upliftment initiatives.

- Over 7,860 CSR beneficiaries

- 11 new products launched in the Manufacturing Sector
- Elephant House – 16th most valuable brand in the country*
- Keells – 2nd most valuable supermarket brand in the country*
  *(Brand Finance, 2023)

Ongoing emphasis on minimising our environmental impacts.

- Plastics recycled: 726 MT (+133%)
- Renewable energy generation: 62,575 GJ (+26%)
- Emission intensity for Supermarkets: 24.24 (tCO_2e/Sqft) (+12%)
- Emission intensity for Manufacturing: 0.164 (tCO_2e/1,000Ltrs) (+4%)
- Energy intensity – Supermarkets: 0.134 (GJ/Sqft) (+2%)
- Energy intensity – Manufacturing: 1.012 (GJ/1,000 Ltrs) (-1%)

Engagement and Decision Making

CCS identifies key stakeholders as all relevant parties (both internal and external) significantly affected by or have an interest in its activities. Given the macro-economic context, we engaged closely with all key stakeholders, proactively identifying their topics of concern, and adapting our strategy to effectively balance their needs and expectations. Below are key highlights outlining how we engaged and created value for our stakeholders during the year under review.

	Shareholders	Consumers	Employees
Issues and concerns in 2023/24	• Financial performance, and stability in the context of dynamic macro-economic conditions • Sustainable growth • Corporate reputation • Risk management and corporate governance practices	• Affordability considerations • Product availability • Safety and hygiene in store operations • Good customer service • Product quality • Evolving innovative portfolio • Offering convenience & excitement	• Opportunities for upskilling and career progression • Job and financial security • Physical and mental well-being • A diverse and equitable work environment • Work life balance
How we engaged	• Annual General Meeting • Annual Report • Quarterly performance updates • Press releases • Through the Company Secretary and the Colombo Stock Exchange	• Satisfaction surveys • Engagement through digital platforms and social media channels • Through channel partners • Consumer panels • Test marketing	• Employee satisfaction surveys • Open communications between HR and department heads to discuss pertinent issues • Ongoing negotiations with trade unions • Engagement through in-person and digital platforms
Our response	Proactive monitoring of the operating landscape enabled us to capture opportunities that emerged from improving economic conditions while mitigating risks.	Ongoing emphasis on responding to consumers' price sensitivities while enhancing our customer value proposition through new products and a superior retail experience.	Provided our team with a challenging and rewarding work environment while prioritising their well-being.
Value created	Profit after tax : **Rs. 3.43 Bn** (+36%) Earnings per share : **Rs. 3.61** (+36%) Dividends per share : **Rs. 1.87** (+57%) Return on Equity : **17.23%** (+4%)	Extension of the hot food range and expansion of the affordable product range at supermarkets. Beverages category invested in a new PET bottles and can Manufacturing Plant. 1 new product launched to the market by Beverages category while 10 new products launched by the Frozen Confectionery segment.	Payments to employees : **Rs. 10,192 Mn** (+11%) Investment in training and development : **Rs. 84 Mn** (+19%) Payments on crisis allowances : **Rs. 301 Mn** (+248%) Female representation : **42%** (+1%)
Quality of relationship	**Strong**	**Strong**	**Strong**
Link to strategy			
Responsible organisation	Sustainable growth	Fulfilling the customer promise	Empowered team

Stakeholder engagement process

Identify stakeholders to engage with → Prioritise and engage with stakeholders → Evaluate feedback and address the issues → Respond through strategic interventions

Distributors / Retailers	Suppliers	Government	Community
• Continued opportunities for business growth	• Fair and equitable financial support and capacity development • Timely payments • Opportunities for mutual growth	• Timely payment of taxes • Employment generation • Ethical business practices • Contribution towards community development and environmental preservation • Compliance on relevant regulations	• Community engagement • Recycling of plastic waste and reduction in consumption of single use polythene • Livelihood upliftment and community development • Responsible water withdrawal and discharge
• Distributor management system • Face to face engagement • Capacity building programs • Distributor conventions • Distributor visits and audits • Distributor P & L reviews	• One-to-one engagement • Capacity development programs • Supplier audits • Farmer development and training programs	• One-to-one engagement • Engagement through industry forums and associations	• Strategic CSR projects and community empowerment programs • Hotline and grievance mechanisms
Maintained collaborative partnerships through close engagement, merchandising, cold chain support, and capacity building.	Maintained ethical procurement practices and invested in strategic supplier development programmes, including the propagation of sustainable practices along the supply chain.	Complied fully with all regulatory requirements while continuing to create value for the Government through timely payment of taxes, duties, and levies. The CCS Group has not sought any financial assistance or made any political contributions to the Government during the year.	Ongoing engagement with our communities with emphasis on addressing the nutritional needs of school children. Responsible waste management and investments in recycling plastic waste.
Payments to distributors/retailers : **Rs. 2,440 Mn** (+74%) Including additional margin support offered to the retailers to manage the escalation of utility cost in Manufacturing Sector.	Payments to suppliers : **Rs. 122,184 Mn** (+5%) Investment in supplier development programmes : **Rs. 5 Mn** (+26%)	Tax payments : **Rs. 8,756 Mn** (+37%)	Investment in CSR programmes : **Rs. 42 Mn** (-15%) Investment in sustainable business practices : **Rs. 28 Mn** (-82%)
Strong	**Good**	**Good**	**Strong**
Managing our value chain	Managing our value chain	Sustainable and responsible organisation	Sustainable and responsible organisation

History at a Glance - CCS

1866

Founded and managed by the illustrious Arthur Von Possner as Colombo Ice Company, which imported and used the country's first ice making machine. Commencing operations in the ice business at the time, Colombo Ice Company began with an initial capital of £ 1,600, a considerable amount at the time with a staff of 22 people and 2 steam engines for production.

1941

New Colombo Ice Company changed its name to Ceylon Cold Stores Limited.

1950

New soft drinks factory in Glennie Street, Slave Island.

1965

Re-introduction of Ice Palam.

1970

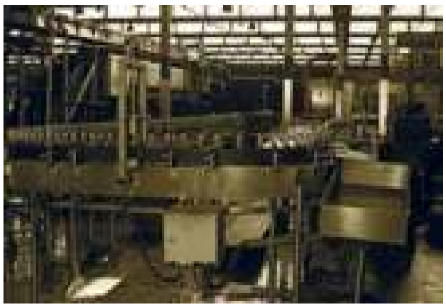
In January, the Company was quoted on the Colombo Stock Exchange.

1991

The Company came under the umbrella of John Keells Holdings Limited with the acquisition of the Whittalls Group in 1991.

1998

The Company significantly enhanced its production capacity by installing a modern bottling plant at the Kaduwela factory.



2023

CCS opened a Milk Collection Centre in Kotagala.

2024

- CCS acquired a new PET bottling and can manufacturing plant in Ittapana.
- CCS entered into a franchise agreement with Reliance Consumer Products Limited (India) to manufacture, market and sell Elephant House carbonated soft drinks in India.
- CCS launched Elephant House "Ice Pops" to the market.
- CCS Elephant House soft drinks launched cans to the market.

1883

Introduced Aerated Water with the distinctive "Elephant" trademark on the bottles, which remains a popular household name for the brand.

1894

Tom Walker, owner of a competing company, purchased Colombo Ice Company and merged the two companies under the name New Colombo Ice Company.

1921

Introduction of crown corks to the Aerated Water business.

1925

The Company commenced building cold storage for various types of frozen products.

1935

- Carbonic acid gas plant installed to make Carbon dioxide and dry ice.
- Ice Cream in bulk form was produced in four gallon buckets.

1934

- New Colombo Ice Company purchased Ceylon Ice and Cold Storage Company.
- Cafe established at Fountain House.

1932

Ceylon Creameries Limited was acquired to produce and distribute reconstituted fresh milk and ice cream.

2010

- The Elephant House Brand relaunched on 25th July.
- Introduction of KIK Cola in December.

2013

CCS Relocation from Justice Akbar Mawatha offices to Vauxhall Street.

2016

CCS celebrated its 150th Anniversary.

2021

- CCS acquired a water bottling plant in Kotagala.
- CCS factory at Ranala expanded its full bottle warehouse facility with a shuttle racking system.

2018

- Completed installation of machinery in The Colombo Ice Company (Pvt) Ltd in BOI zone in Seethawaka.
- The Colombo Ice Company (Pvt) Ltd was opened on 24th of May and commenced commercial operation.

History at a Glance - JMSL

1991

1st Outlet opened at Liberty Plaza.

2016

- JMSL celebrated its 25th Anniversary.
- Reached 50 stores with the opening of Pepiliyana outlet.

2017

- JMSL opened 15 new stores during the year.
- Reached Rs. 30 billion annual turnover.

2018

- JMSL opened 23 new stores during the year.
- Reached Rs. 38 billion annual turnover.
- Rebranded as "Keells".

2022

- Converted its Maharagama Supermarket outlet to have an all-female staff serving customers.
- JMSL launched the third largest warehouse facility in the country at Kerawalapitiya.

2023

- JMSL launched its first Whatsapp channel.
- JMSL opened 4 new stores.
- Reached Rs. 100 billion in annual turnover.

2002

Launched www.keellssuper.com, the first ever online supermarket in Sri Lanka.

2011

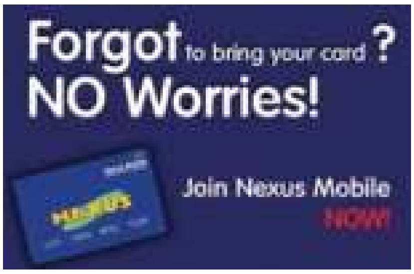
Reached Rs. 10 billion annual turnover.

2013

Relocation of the Glennie Street office to Vauxhall Street.

2015

- Nexus Network (Pvt) Ltd merged its operations with JMSL.
- Reached Rs. 20 billion annual turnover.



2014

Launched Nexus Mobile, Sri Lanka's first independent cardless lifestyle loyalty programme.

2019

- JMSL opened 18 new stores during the year.
- Inclusion of prepared Food Service in 35 outlets.
- JMSL opened their 100th outlet in Miriswatte.

2020

Vendor collaboration portal project "KANE" completed and launched by JMSL.

2021

JMSL introduced a self-checkout machine at its Union Place outlet - the first in Sri Lanka.

Year at a Glance

2023

April

- JMSL launched the 'Priceless Moments' campaign to highlight the competitively priced selection of fish on offer at its outlets.
- CCS and JMSL Teams celebrated Sinhala and Tamil New Year on 17th April 2023.
- The Beverage category launched its seasonal campaign "Avurudu Beema" aimed at the Sinhala and Tamil New Year festivities.
- JMSL opened the Nuwara Eliya Collection Centre.

May

- Vesak card competition was organised by CCS.
- The Beverage category launched the new variant Cream Soda Kiwi Pop as a limited edition pack to the market.
- The Frozen Confectionery category held its Annual National Sales Conference for 2023/24.

June

- The Poson Lantern Competition, organised by CCS.
- The Consumer Foods Excellence Awards Ceremony, was held at the Regent Country Club, Malabe.
- The Beverage category held its Annual National Sales Conference for 2023/24, and the "Achievers" sales programme was launched.

July

- JMSL launched the next phase of the Keells Freshness campaign highlighting key aspects of its fruit and vegetable supply chain.
- The Frozen Confectionery category launched IMORICH tunes.
- JMSL opened a new Keells outlet in Yakkala.
- CCS organised a free health screening campaign for all permanent staff at the Ranala factory and the Colombo Head Office.
- Frozen Confectionery category launched three fusion popsicle flavours, namely, Passionfruit & Chilli, Siyambala & Honey, Naarang & Sea salt.
- JMSL was recognized as one of Sri Lanka's most outstanding women-friendly workplaces at the Women Friendly Workplace Awards organised By AICPA, CIMA and Satyn Magazine.

Outlet Opened 1

August

- CCS sponsored a school meal programme for the students at Ranala Adarsha Kanishta Vidyalaya and Philip Thilakawardana School under the CSR initiative "Gunadamin".

September

- JMSL launched mobile games for Rugby and Cricket in conjunction with the Cricket and Rugby World Cup events respectively.
- CCS organised its annual excursion for the supply chain & support functions on September 8th and 9th, 2023 to Cinnamon Bentota Beach Hotel.
- The Frozen Confectionery category extended its product range through the introduction of "Ice Pops".

October

- CCS acquired a PET bottling and can manufacturing plant at Ittapana, Matugama.
- CCS celebrated Children's Day 2023 with an engaging essay and craft competition for staff members' children.
- JMSL launched the "Ada Keells Eken Kamu" campaign highlighting Keells' array of prepared food offerings including the iconic Keells yellow rice.
- CCS signed an MOU with USAID'S Ocean Plastic Reduction Activity to set up Material Recollection Centres in the Coastal belt of the country.

November

- CCS' water bottling plant at Kotagala celebrated Deepawali festival.
- JMSL launched its inaugural Whatsapp Channel.
- CCS launched Career Week 2023.
- CCS won three prestigious awards at Effie Awards Sri Lanka 2023.
- Keells Attidiya -2 and Moratuwa K-Zone outlets converted to Extended format stores.

December

- Keells Kohuwala -2 and Kandy 3 outlets converted to Extended format stores.
- Through the "Podi Business Thana" initiative, JMSL featured numerous entrepreneurs on its social media platforms.
- JMSL opened the Kotahena -2 store.
- JMSL seasonal book and stationery donation campaign in partnership with Sri Lanka Unites.
- CCS won three prestigious awards at SLIM Brand Excellence 2023.
- CCS hosted the "Jingle and Mingle" year-end party at Grand Monarch, Thalawathugoda.
- The CCS Group won the Gold award for the 'Best Annual Report' in the Food and Beverages Sector at the TAGS Awards 2023 organised by CA Sri Lanka.

Outlet Opened **1**

2024

January

- CCS embraced the dawn of 2024 with a harmonious blend of religious rituals and cultural festivities.
- The newly refurbished cafeteria was opened at the CCS Ranala factory premises.
- JMSL launched the Back to School campaign partnering with Atlas to provide savings on the purchase of school supplies.
- The Frozen Confectionery category successfully completed the second edition of "Super Hero" campaign.
- JMSL closed their Kapuwatte outlet.

February

- JMSL launched the affordability campaign, promising the lowest prices in the market for vegetables, fish and daily essentials.
- The Beverage category launched 5-litre water bottles to the market.
- CCS launched the second phase of the home gardening programme for a segment of the community to empower them to overcome the ongoing economic challenges.
- E-bikes were introduced for plastic collection through CCS Elephant House Gunadamin with the aim of increasing collection rate.

March

- JMSL opened the Thurstan and Nugegoda -2 stores increasing its total retail footprint to 134.
- CCS conducted a comprehensive medical camp for the Frozen Confectionery sales team.
- The Frozen Confectionery category relaunched the Pani Cadju and Faluda cones to the market.
- CCS and JMSL celebrated International Women's Day on March 8, 2024, under the theme "Inspire Inclusion" exemplifying its dedication to a diverse and inclusive workplace.
- CCS commenced the commercial production of 250ml carbonated Beverage cans at the Ittapana (Matugama) factory.
- CCS formed a franchise partnership with Reliance Consumer Products Limited (India) to manufacture, market, distribute and sell Beverages under the Elephant House brand across India.

Outlets Opened **2**

Awards and Certifications

AWARDS

SLIM Digis 2.3

JMSL won the Bronze award under “Best SEO/SEM Campaign” category.

Best Corporate Citizen Sustainability Awards 2023

JMSL was among the winners of the Best Project Sustainability Awards 2023 by the Ceylon Chamber of Commerce.

Women Friendly Workplace Awards 2023

- JMSL was recognized as ‘One of Sri Lanka’s Most Outstanding Women Friendly Workplaces’ by CIMA and Satyn Magazine.
- Sudarshani Basnayake from JMSL won the ‘She Wins’ award by CIMA and Satyn Magazine at the Women Friendly Workplace Awards.

National Supply Chain Excellence Awards 2023

JMSL was the 1st Runner up in the Large Scale Enterprise Category which was organised by Institute of Supply and Materials Management (ISMM) with Ministry of Industries & Industrial Development.

Most Visible Brands Online 2023

Keells was recognized as the Most Visible Brands Online in the uncategorised category by Asia Pacific Institute of Digital Marketing.

SLIM National Sales Awards 2022/2023

CCS Frozen Confectionery category won 2 Gold, 1 Silver, and 5 Bronze awards while the Beverages category secured 1 Gold, 2 Silver, and 1 Bronze awards. Overall, the CCS Group won 12 awards.

SLIM Kantar People's Awards 2024

CCS, Elephant House Cream Soda was crowned the Beverage Brand of the Year.

TAGS Awards 2023

The CCS Group won the prestigious Gold award for the 'Best Annual Report' in the Food and Beverages Sector at the "TAGS Awards 2023" organised by CA Sri Lanka, for reporting excellence in the four areas of transparency, accountability, governance, and sustainability.

SLIM Brand Excellence Awards 2023

- CCS, Elephant House Frozen Confectionery won Gold in the "Product Brand of the Year" category.
- CCS, Elephant House Frozen Confectionery won Silver in the "Local Brand of the Year" category.
- CCS, Elephant House "Gunadamin" won Bronze in the 'CSR Brand of the Year' category.

NCE Exports Awards 2023

- CCS won Gold in the Large Category - Confectionery Products Sector.
- CCS won the Challenge Trophy for the Best Ethically Trading Exporter in the Large Category.
- CCS won the Certificate of Ethical Trading.

Effie Awards 2023

- CCS, Elephant House Soda won the Bronze award for Seasonal Marketing.
- CCS, Elephant House 250 ml "Pocket Size" won the Bronze award for Crisis Response.
- CCS won an Effie Merit award for Youth Marketing for the 250 ml "Pocket Size".

Awards and Certifications

JKH Chairperson's Awards 2023

The CCS Group received numerous accolades at the JKH Chairperson's Awards 2023. These included:

The 2023 Chairperson's Award for Diversity, Equity and Inclusion was awarded to JMSL for the launch of its first female-empowered supermarket outlet.

The 2023 Chairperson's Special Award for Sustainability was awarded to CCS for the Gunadamin Elephant House Plastic Waste Management Initiative.

The 2023 Disruptive Innovation Chairperson's Award won by CCS for Project "Torque" which involved the creation of a digital workflow management engine in the Consumer Food Sector, which revolutionized traditional paper-based processes.

The 2023 Chairperson's Team Award for Outstanding Achievement was awarded to JMSL for the scale of cost savings achieved through the principles of 'Better, Simpler, Cheaper'.

The 2023 Chairperson's Award for Corporate Social Responsibility was awarded to CCS and JMSL along with sister companies within the JKH Group in recognition of their exemplary commitment to championing the School Meals Programme.

CERTIFICATIONS

Metrices	CCS - Ranala	CICL - Seethawake	Others	JMSL
Quality Awards/ Certifications for Food and Beverages	ISO 9001:2015 Quality Management System certifications for the ice cream and soft drink plants.	ISO 9001:2015 Quality Management System certification.	SLS 729: 2010 certification for Fit-O branded ready to serve fruit drinks.	
	SLS 971: 1992 Certification for Elephant House branded tube Ice.	ISO 22000:2018 Food Safety Management System certification.	ISO 9001:2015 Quality Management Systems certification for the bottled drinking water plant.	
	ISO 22000:2018 Food Safety Management System certifications for the ice cream and soft drink plants.	SLS 223: 2017 Certification for EH branded ice cream.	SLS 894:2020 certification for EH branded bottled drinking water.	
	SLS 223: 2017 Certification for EH branded ice cream.	SLS 967: 2023 Certification for EH branded Frozen Confectionery / Ice Palam /Ice Pop.	ISO 22000:2018 Food Safety Management System certification for the bottled drinking water plant.	
	SLS 183: 2013 Certification for EH branded Carbonated Beverages.	Halal Certification for Ice Cream / Ice Palam.	SLS 183: 2013 certification for EH branded Carbonated beverages manufactured at External locations.	
	SLS 183: 2013 Certification for KIK branded Carbonated beverages.		Halal certification for Fit-O branded fruit drinks and Elephant House branded milk.	
	Halal Certification for Elephant House ice cream.		FSSC 22000 – Other (Fit-O, Twistee, & flavoured fruit drinks).	
Occupational health and safety related certifications	ISO 45001: 2018 Occupational Health and Safety Management System certification.	ISO 45001: 2018 Occupational Health and Safety Management System certification.		ISO 45001: 2022 Occupational Health and Safety Management System Certifications.
Environment related certifications	ISO 14001: 2015 Environmental Management System certification.			
Good Manufacturing Practices				SLS 143: 2022 – Code of practice for general principles of food hygiene (third revision).
				SLS 956: 2016 – Code of hygienic practice for catering establishments.
				SLS 965: 1992 – Code of hygienic practice for biscuit manufacturing and bakery units.
Supermarkets Management System				SLS 1432: 2011 certification.
Energy Management	ISO 50001:2018 - Energy Management System Certification.			

Key Milestones

JMSL OPENING OF NUWARAELIYA COLLECTION CENTER

JMSL opened a new vegetable and fruit collection centre at Nuwara Eliya, with a state-of-the-art, fully automated vegetable washing line and drying machine, as a testament to our efforts to deliver the freshest produce to our customers.

KEELLS HOT FOOD AND BAKERY RANGE CAMPAIGN

The campaign objective was to establish that at Keells we carry a range of food offering that is fresh and affordable for any meal occasion, a unique hallmark of our supermarket chain, distinguishing us from competition. Keells currently have 68 stores with prepared food counters and 120+ stores with bakeries.

CCS PARTNERS WITH RELIANCE CONSUMER PRODUCTS LIMITED (INDIA)

In February 2024, CCS announced its partnership with Reliance Consumer Products Limited (RCPL), the FMCG arm and wholly-owned subsidiary of Reliance Retail Ventures Limited (RRVL) India, to manufacture, market, distribute and sell Beverages under the Elephant House brand across India.

CCS BEVERAGES COMMENCES OPERATIONS FOR PET BOTTLING AND CANNING IN ITTAPANA, MATHUGAMA

The commercial production of 250ml carbonated beverage cans were commenced in March 2024 at the Ittapana (Mathugama) factory which was acquired in October 2023.

CCS NEW PRODUCTS LAUNCHED

CCS expanded its beverages and frozen confectionery product range by introducing 11 new products to fulfil emerging consumer needs.


FRESH IS OUR PASSION
Fresh Deals

Board of Directors

KRISHAN BALENDRA

Non-Executive - Non-Independent Director / Chairperson

Mr. Balendra was appointed to the Board of Ceylon Cold Stores PLC, on 1st January 2018 and was appointed as Chairperson on 1st January 2019.

Mr. Balendra is the Chairperson-CEO of John Keells Holdings PLC. He is also the Chairman of the Employers Federation of Ceylon, Deputy Vice Chairman of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of Nations Trust Bank and the Colombo Stock Exchange. Mr. Balendra started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. He holds a law degree (LLB) from the University of London and an MBA from INSEAD.

GIHAN COORAY

Non-Executive - Non-Independent Director

Mr. Cooray was appointed to the Board of Ceylon Cold Stores PLC on 1st of January 2018.

Mr. Cooray is the Deputy Chairperson/Group Finance Director and has overall responsibility of the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He is a former Chairman of Nations Trust Bank PLC. Mr. Cooray holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow Member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

DAMINDA GAMLATH

Executive Director

Mr. Gamlath was appointed to the Board of Ceylon Cold Stores PLC on 1st November 2017.

Mr. Gamlath is the President of the Consumer Foods Industry Group and has been with the John Keells Group since 2002. He was the Sector Financial Controller for the Information Technology sector and the Consumer Foods industry group before he was appointed as the Head of Beverages in 2013 and the Sector Head in 2017. Prior to joining the John Keells Group, he worked at the Hayleys Group. Mr. Gamlath holds a B.Sc. in Engineering from the University of Moratuwa, an MBA from the University of Colombo and is a passed finalist of the Chartered Institute of Management Accountants (UK).

CHARITHA SUBASINGHE

Non-Executive - Non-Independent Director

Mr. Subasinghe was appointed to the Board of Ceylon Cold Stores PLC on 1st January 2021.

Mr. Subasinghe is responsible for the Retail industry group of the Group. He has been with the John Keells Group since 2003. He was the Sector Financial Controller of the Supermarket business, before being appointed as the CEO in 2005. He was also employed at Aitken Spence Hotel Management as the Sector Financial Controller before moving over to John Keells. He is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as a Diploma Holder of the Chartered Institute of Marketing (UK). He also holds an MBA from the University of Colombo.

NELINDRA FERNANDO

Executive Director

Ms. Fernando was appointed to the Board of Ceylon Cold Stores PLC, on 1st January 2021.

Ms. Fernando is the Chief Financial Officer for the Consumer Foods Industry Group. Ms. Fernando joined the John Keells Group in 2013 as the Sector Financial Controller of the Consumer Foods Industry Group. Prior to joining the Group, she worked at the MAS Group and Ernst & Young, Sri Lanka. She is a Member of the Chartered Institute of Management Accountants of (UK) and the Institute of Chartered Accountants of Sri Lanka.

SHARMINI RATWATTE

Non-Executive - Independent Director

Ms. Ratwatte was appointed to the Board of Ceylon Cold Stores PLC, on 17th June 2016.

Ms. Ratwatte is a Fellow Member of the Chartered Institute of Management Accountants (UK) and also holds an MBA in Business Administration from the University of Colombo. Ms. Ratwatte holds Non-Executive Directorships in BPPL PLC, a manufacturer and exporter of household and professional cleaning products and is a Trustee of Sunera Foundation, a non- profit organisation empowering differently abled persons using the performing arts. She is a Founding Trustee and former Chairperson of the Federation of Environmental Organisations, which supports environmental organisations operating in Sri Lanka.

MUHAMMED HAMZA

Non-Executive - Independent Director

Mr. Hamza was appointed to the Board of Ceylon Cold Stores PLC, on 15th May 2015.

Mr. Hamza has over 30 years of managerial experience in the FMCG industry. He was the Chairman of the Sri Lanka Handicrafts Board, Laksala till October 2019 and previously served as CEO and Director at Atlas Axillia (Pvt) Ltd. He had a 28-year career at Nestle, holding senior positions across Sri Lanka, India, Pakistan and Indonesia. Mr. Hamza was a key player in transforming Nestle's footprint in Sri Lanka and was instrumental in building local flagship brands like Nestomalt and Milo. He holds a B. Com degree from the University of Peradeniya, an MBA from the American University in Washington D.C. and a Post Graduate degree in General Management from IMD, Switzerland.

DR. SHANTHI WILSON WIJERATNAM

Non-Executive - Independent Director

Dr. (Ms.) Wijeratnam was appointed to the Board of Ceylon Cold Stores PLC, on 17th June 2016.

Dr. (Ms.) Wijeratnam graduated from University College London with a B.Sc. Hons. Degree in Microbiology and obtained her Ph.D. from the University of Cambridge, specialising in plant pathology and post-harvest technology. She was the Head of the Food Technology Section and subsequently Additional Director - Research and Development at the ITI (former CISIR). She was the country representative for the UN- IAEA supported food irradiation programmes and a visiting scholar at Cornell University, RIKILT in the Netherlands, the University of Hawaii, the University of Cambridge, and the University of Guelph. She has served on the Board of the Atomic Energy Agency and was the Chairperson of the Institute of Post- Harvest Technology. She has served on the Editorial Board of the Journal of the National Science Foundation. In 2017, she was appointed to the International Advisory Board of the USAID funded "Feed the Future – Horticulture Innovation Lab", at the University of California, Davis. She is currently the President of the Sri Lanka Girl Guides Association and also serves as a Non-Executive Director of Rural Returns (Guarantee) Limited, Chelvanayakam Memorial Trust and Lanka Agri Produce Management Corporation (LAPMC).

Management Team

Ceylon Cold Stores PLC

(In alphabetical order)

DAMINDA GAMLATH

President / Director

Daminda is the President of the Consumer Foods Industry Group. Daminda has been with the John Keells Group since 2002. He was the Sector Financial Controller for the Information Technology Sector and then the Consumer Food Sector before he was appointed as the Head of Beverages in 2013 and the Sector Head in 2017. Prior to joining the John Keells Group, he worked at the Hayleys Group. Daminda holds a B.Sc. (Eng.) Degree from the University of Moratuwa, an MBA from the University of Colombo and is a passed finalist of the Chartered Institute of Management Accountants (UK).

DAMITH SILVA

Assistant Vice President

Damith is the Head of Procurement of Ceylon Cold Stores PLC and joined the John Keells Group in 2021. He has over 16 years of experience in FMCG, apparel and construction industries. Prior to joining the John Keells Group, he worked in Fonterra Brands Lanka for 7 years. He holds a B.Sc. (Eng.) Degree from the University of Moratuwa, MBA from University of Sri Jayewardenepura and M.Sc. in Logistic & Supply Chain Management from Birmingham City University, UK.

DILSHANI EDIRISINGHE

Assistant Vice President

Dilshani is the Head of Marketing in the Beverages category of Ceylon Cold Stores PLC and joined the Company in 2019. She has over 20 years experience in sales and marketing functions in diverse industry sectors. Prior to joining the John Keells Group she was attached to AkzoNobel Paints Lanka (Pvt) Ltd for 9 years covering marketing and category management functions. Dilshani holds an MBA from the University of Bedfordshire, UK and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (UK).

GIHAN SAMARAKKODY

Assistant Vice President

Gihan is the Financial Controller of the Consumer Foods Industry Group. He joined the John Keells Group in 2022. He has over 19 years of experience in FMCG, travel, textile and audit. Gihan is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Certified Management Accountants of Sri Lanka.

IRANDA JANAKA GUNAWARDENA

Assistant Vice President

Iranda is an IT professional serving as the Head of Business Systems for the Consumer Foods Industry Group. With 19 years of experience, his expertise lies in Business IT Systems, Information & Communication Technology, and IT Governance in manufacturing and sales. Iranda holds an MBA in Project Management from Cardiff Metropolitan University and a B.Sc. in Management Information Systems Degree from University College Dublin.

IRSULA RAJAKARUNA

Vice President

Irsula is the Head of Factory for Ceylon Cold Stores PLC and before that, he was the Factory Manager for The Colombo Ice Company (Pvt) Ltd and joined the John Keells Group in 2015. Prior to that, he worked at Unilever Sri Lanka for 8 years in the engineering function. He is an Associate Member of the Institute of Engineers Sri Lanka and holds a B.Sc. (Eng.) Degree from the University of Moratuwa and an MBA in Management of Technology from the University of Moratuwa.

JUDE MARTINO

Vice President

Jude is the Head of the Beverages category of Ceylon Cold Stores PLC. He joined the John Keells Group in 2020. Jude has over 16 years of experience in the FMCG industry. Prior to joining JKH, Jude had worked at Dialog Axiata, Unilever Sri Lanka, Reckitt Benckiser Bangladesh and Reckitt Benckiser Sri Lanka. He holds a Master's in Financial Economics from the University of Colombo, a Bachelor's Degree in Marketing and Management from the Edith Cowan University, Australia and a Diploma in Industrial Psychology.

KASUN GUNARATHNE

Assistant Vice President

Kasun is the Head of Marketing in the Frozen Confectionery category of Ceylon Cold Stores PLC. He has over 12 years of experience in brand marketing and sales in multiple industries. Prior to joining CCS, Kasun has worked at Mobitel (Pvt) Ltd and Prima Group Sri Lanka. He holds a Master's Degree in Business Administration from the University of Wales, Cardiff, UK and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (UK).

MADUSHAN PERERA

Assistant Vice President

Madushan is the Head of Financial Planning and Analysis of the Consumer Foods Industry Group. Madushan joined the John Keells Group in 2015. He has over 9 years of experience in the FMCG sector in the areas of financial planning, management accounting and sales and marketing. He holds a B.Sc. Accounting Special Degree from the University of Sri Jayewardenepura, Postgraduate Diploma in Professional Marketing from the Chartered Institute of Marketing (UK), and is an Associate Member of the Chartered Institute of Management Accountants (UK).

MAHENDRA AMARASINGHE

Senior Assistant Vice President

Mahendra is the Head of Sales for the Frozen Confectionery category. He joined Ceylon Cold Stores PLC in 1991 and has 33 years of experience in sales functions in both Beverages and Frozen Confectionery categories.

NELINDRA FERNANDO

Executive Vice President / Director

Nelindra is the Chief Financial Officer for the Consumer Foods industry group. Nelindra joined the John Keells Group in 2013 as the Sector Financial Controller of the Consumer Foods Industry Group. Prior to joining the Group, she worked at the MAS Group and Ernst & Young, Sri Lanka. She is a Member of the Chartered Institute of Management Accountants of (UK) and the Institute of Chartered Accountants of Sri Lanka.

NISANSALA PARANAYAPA

Senior Vice President

Nisansala is the Head of Human Resources of the Consumer Foods Industry Group and joined the Group in 2015. Prior to that, she worked at Ceylon Grain Elevators PLC and Ansell Lanka (Pvt) Ltd. She is a life member of the Bar Association of Sri Lanka, an Associate member of the Institute of Personnel Management (Sri Lanka) and a life member of the MBA Alumni Association of the University of Colombo. She holds an LLB (Hons) degree from the University of Colombo, Attorney at Law from Sri Lanka Law College and an MBA in Human Resource Management from the University of Colombo.

NIROSH LALANTHA

Senior Assistant Vice President

Nirosh is the Head of Quality Assurance for the Consumer Foods Industry Group and the Head of Research & Development of Keells Food Products PLC. He joined the John Keells Group in 2000. He has over 20 years of experience in different areas of the FMCG industry. Nirosh holds a B.Sc. Degree in Agriculture from the University of Peradeniya and an MBA from the PIM under the University of Sri Jayewardenepura.

Management Team

Ceylon Cold Stores PLC

(In alphabetical order)

SANJEEWA JAYASUNDARA

Senior Vice President

Sanjeewa is the Head of Supply Chain Management of Ceylon Cold Stores PLC. He joined the John Keells Group in 2010, and has over 28 years' experience in the FMCG industry. He started his career at Unilever Sri Lanka and served for 14 years in different areas in the field of supply chain. He holds a degree in B.Sc. Engineering from the University of Peradeniya, and is an Associate Member of the Institute of Engineers, Sri Lanka. He holds an MBA in Management of Technology from the University of Moratuwa.

SATHISH RATNAYAKE

Senior Vice President

Sathish is the Head of the Frozen Confectionery category at Ceylon Cold Stores PLC. With a career spanning over 30 years, Sathish possesses expertise in sales and marketing across diverse industries. Sathish held various positions at renowned organisations, including a 14-year tenure at Unilever Sri Lanka, Pure Beverages Ltd, Cargills Ceylon PLC, Bharti Airtel Lanka Ltd, and Heineken Asia Pacific. Sathish holds a Master's Degree from Cardiff Metropolitan University (UK) and a Diploma in Marketing from the Chartered Institute of Marketing (UK).

THUSHANI WIJEWICKRAMA

Assistant Vice President

Thushani is the Head of Tax for the John Keells Consumer Foods and Retail Industry Groups. She has over 15 years of experience in tax compliance and tax advisory services. Thushani joined the John Keells Group in 2021, and prior to that worked at Ernst & Young, Sri Lanka. Thushani is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Sc. Finance (Special) degree from the University of Sri Jayewardenepura.

UDAYA PADMAKUMARA

Senior Assistant Vice President

Udaya is the Head of Innovation & Product Development of Ceylon Cold Stores PLC and joined the John Keells Group in 2014. Prior to joining CCS, he worked at Lion Brewery Ceylon PLC and Varun Beverages Lanka (Pvt) Ltd, and he has over 22 years of experience in different areas in the FMCG industry. Udaya holds a B.Sc. Degree in Microbiology from the University of Kelaniya and an M.Sc. in Food Science and Technology from the University of Sri Jayewardenepura.

The Colombo Ice Company (Pvt) Ltd

INDUNIL AMARASENA

Assistant Vice President

Indunil is the Factory Manager at The Colombo Ice Company (Pvt) Ltd. He joined the John Keells Group in 2001. He has over 23 years of experience in the Ice Cream Industry. Indunil holds a B.Sc. in Applied Sciences from Sabaragamuwa University of Sri Lanka and an M.Sc. in Food Science and Technology from the University of Sri Jayewardenepura.

Jaykay Marketing Services (Pvt) Ltd

(In alphabetical order)

AMILA KURUPPU

Assistant Vice President

Amila is the Head of Productivity Improvement of Jaykay Marketing Services (Pvt) Ltd and has been with the John Keells Group since 2006. He was attached to the Operations department prior to being appointed as the Head of Productivity Improvement in July 2019. Before joining the Group, he has worked at Morrisons, UK in Supermarket Operations. He holds a Diploma in Ticketing and Reservations from the Emirates Training College as well as a Certificate in Management from the Postgraduate Institute of Management and Harvard Business Publishing.

ARAVINDA WANNIARACHCHI

Executive Vice President

Aravinda is the Chief Financial Officer of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2007. He was attached to the Group Corporate Finance and Strategy team of John Keells prior to joining the Retail industry group. He is a Chartered Financial Analyst, an Associate Member of the Chartered Institute of Management Accountants (UK) and holds a BBA Marketing (Sp.) Degree from the University of Colombo.

ARUNAJITH NANDANA

Assistant Vice President

Arunajith is the Head of Learning and Development of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2018. He was attached to the Access Group of Companies as the Human Resources Manager for the health care sector before joining the John Keells Group. He is a Passed Finalist of Certified Management Accountants (SL) and Association of Accounting Technicians (SL). He holds a Bachelors degree in Business Management from Open University (SL), MBA from Metropolitan University (UK) and is a Certified Training Programme Assessor for NVQ Level 6 of Tertiary and Vocational Education Commission (SL).

CHARITHA SUBASINGHE

President / Director

Charitha is the President of Retail industry group. He has been with the John Keells Group since 2003. He was the Sector Financial Controller of the Supermarket business, before being appointed as the CEO in 2005. He was also employed at Aitken Spence Hotel Management as the Sector Financial Controller before moving to John Keells. He is an Associate Member of the Chartered Institute of Management Accountants (UK) and holds a Diploma of Chartered Institute of Marketing (UK). He also holds an MBA from the University of Colombo.

CHATHURA GUNAWARDANA

Assistant Vice President

Chathura is the Head of Store Design and Construction at Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2012. He holds a Bachelor of Science Degree in Town and Country Planning from the University of Moratuwa. He is a Chartered Town Planner and a Corporate Member of the Institute of Town Planners, Sri Lanka.

DILAN NIROSHANA

Assistant Vice President

Dilan is the Head of Trade Marketing of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2014. He holds a Bachelor of Science in Marketing Management from the University of Sri Jayewardenepura and an MBA from Cardiff Metropolitan University (UK).

Management Team

Jaykay Marketing Services (Pvt) Ltd

(In alphabetical order)

ISURU POLGASDENIYA

Vice President

Isuru is the Head of Supply Chain of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2012. He was attached to the Category Management department prior to being appointed as Head of Supply Chain in 2020. He holds a Bachelor of Business Degree in Management and Marketing from the Edith Cowan University, Australia and an MBA from the Cardiff Metropolitan University (UK).

KASUN PITIGALA

Assistant Vice President

Kasun is the Head of Demand Planning at Jaykay Marketing Services (Pvt) Ltd and has been with the John Keells Group since 2015. He holds a Bachelor of Science (Hons.) Degree in Transport and Logistics Management from the University of Moratuwa. He is a Passed Finalist of the Chartered Institute of Management Accountants (UK) and holds a Post Graduate Diploma in Business Statistics from the University of Moratuwa.

MIFRAH ISMAIL

Senior Vice President

Mifrah is the Head of Commercial of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2011. He was the Head of Fresh Food prior to being appointed as the Head of Commercial in 2023. He is a Passed Finalist of the Chartered Institute of Management Accountants (UK) and is a Diploma Holder of the Chartered Institute of Marketing (UK). He also holds a BBA Finance (Sp.) Degree from the University of Colombo and an M.Sc. in Business Analytics from the Robert Gordon University (UK).

NILUSHA FERNANDO

Vice President

Nilusha is the Head of Marketing of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2009. She is a passed finalist of the Chartered Institute of Management Accountants (UK), holds a BBA Finance (Sp.) Degree from the University of Colombo (Sri Lanka) and an MBA from the Cardiff Metropolitan University (UK).

NILUSH COORAY

Senior Vice President

Nilush is the Head of Operations of Jaykay Marketing Services (Pvt) Ltd and has been with the John Keells Group since 2003. He was the Head of Human Resources of the Retail industry Group, before being appointed as the Head of Operations in July 2011. He was also employed at the Carsons Group of Companies for 4 years in the Human Resources function. He holds a Diploma in Human Resources Management from the Institute of Personnel Management, Sri Lanka and an MBA from the University of Southern Queensland (Australia).

NISHAN RATHNAYAKE

Assistant Vice President

Nishan is the Head of IT Infrastructure, Security and Operations at Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2018. He is an experienced professional in the technology industry with over 15 years of industry experience in the apparel and retail domains. He holds an M.Sc. in Computer Science from Staffordshire University (UK).

OSANDA WARNAKULASOORIYA

Vice President

Osanda is the Head of IT for the Retail industry Group of the John Keells Group. He started his career at John Keells Group in 2003 and in 2013 left the Group, rejoining in 2017. He holds a Bachelor of Science (Hons) Management Information Systems from University College Dublin National University of Ireland.

RANELLA JAYASURIYA

Assistant Vice President

Ranella is the Head of Private Label and Direct Imports at Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2011. She was attached to the marketing division and later joined the purchasing division and has been attached to the Commercial department. She holds a Bachelor of Business Degree in Management and Marketing from the Edith Cowan University Australia and an MBA from the University of Southern Queensland (Australia).

RAVINDU DE SILVA

Assistant Vice President

Ravindu is the Head of Category Management of Jaykay Marketing Services (Pvt) Ltd and has been with the John Keells Group since 2015. Prior to joining the Group, he was attached to WNS Global Services working with AVIVA Insurance (UK). He is a Passed Finalist of Chartered Institute of Management Accountants (UK). He holds a Bachelors Degree in Physical Sciences and an MBA from University of Colombo (SL).

SHELANTHI PERERA

Vice President

Shelanthi is the Financial Controller for Jaykay Marketing Services (Pvt) Ltd, and joined the John Keells Group in 2011. She was attached to John Keells Office Automation (Pvt) Ltd before joining Jaykay Marketing Services (Pvt) Ltd. She is an Associate Member of the Chartered Institute of Management Accountants (UK) and also holds an MBA from the University of West of Scotland in International Business.

SAJEEV JEGANATHAN

Vice President

Sajeev is the Head of Projects and Properties of Jaykay Marketing Services (Pvt) Ltd and joined John Keells Group in 2010. He was attached to the Projects Department of Cinnamon Hotels Management Services (Pvt) Ltd before joining Jaykay Marketing Services (Pvt) Ltd in 2013. He holds a B.Eng in Aerospace Engineering from the University of Sheffield (UK).

VISAL PERERA

Assistant Vice President

Visal is the Head of Fresh Produce at Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2015. He was a Group Management Trainee in 2015/16 and then was attached to the Fresh Produce Commercial team in 2016. Subsequently, he took over the supply chain and sourcing aspects of Fresh Produce at Keells Supermarkets. He holds a Bachelor of Commerce Degree in Accounting and Finance from the University of Melbourne (Australia).


CREAM SODA
Elephant House
CREAM SODA
හැමදාමත්
යෞවනයේ පෝෂියන
චමත්කාරය

MANAGEMENT DISCUSSION & ANALYSIS

Materiality

The Group conducts a materiality assessment on an annual basis, with material topics determined following ongoing dialogue with its stakeholders, a critical assessment of its value creation model and the evaluation of emerging risks and opportunities in the operating environment. Having reviewed our material topics from last year accordingly, we recognised the need to identify procurement practices, operational excellence, and a safe workplace as separate material topics this year while introducing data security as a new topic. Sustainability disclosures required by the GRI standards were mapped to our material topics. Thereafter, we used a double materiality lens to score and rank material topics, considering both the impact our value creation process has on external stakeholders and the planet as well as their impact on our performance. Our material topics for 2023/24 are presented below.

Material topics in 2023/24	Materiality compared to last year	Corresponding GRI topics	Link to UN SDG
Managing working capital, cashflow and cost optimisation	No change	GRI 201: Economic performance	
Managing macro-economic challenges	▼	GRI 203: Indirect economic impact	
Managing margins, enhancing financial performance and stability	No change	GRI 201: Economic performance	
Compliance and good governance	No change	GRI 205: Anti-corruption GRI 207: Tax GRI 416: Public policy	
Operational excellence	No change	GRI 204: Procurement practices	
Developing livelihoods through developing community infrastructure	No change	GRI 203: Indirect economic impacts GRI 413: Local communities	
Managing natural inputs and outputs	No change	GRI 301: Materials GRI 302: Energy GRI 303: Water and effluents GRI 305: Emissions GRI 306: Waste	
Customer health and safety	No change	GRI 416: Customer health and safety	
Procurement practices	New Topic	GRI 204: Procurement practices GRI 308 Supplier environmental assessment GRI 414: Supplier social assessment	
Market leadership and market reach	No change		
Providing value for money with quality products	No change		
Talent attraction and retention	▼	GRI 401: Employment GRI 402: Labour / Management relations GRI 404: Training and education GRI 405: Diversity and equal opportunity GRI 406: Non-discrimination GRI 407: Freedom of association and collective bargaining GRI 408: Child labour GRI 409 Forced or compulsory labour	
Provide best-in-class customer service in the Supermarket Sector	▲		
Innovation to promote health, nutrition and lifestyle changes	No change	GRI 416: Customer health and safety	
Stability and efficiency in distributor channels	No change		
A safe workplace	New Topic	GRI 403: Occupational health and safety	
Data security	New Topic	GRI 418: Customer privacy	
Digitisation and e-commerce platforms	▲		
Product labelling and market communication compliance	No change	GRI 417: Marketing and labelling	

▲ Increased in importance ▼ Decreased in importance

Strategy and Resource Allocation

STRATEGIC PRIORITIES

Strategy execution at CCS is underpinned by five strategic pillars which guide the continued creation of sustainable value for its stakeholders. This strategic approach enables the Group to prioritise emerging risks and opportunities and allocate resources and management attention accordingly, to effectively navigate the dynamics of the operating landscape to achieve its strategic objectives.

Sustainable Growth

Strategic initiatives in 2023/24

MANUFACTURING

- Acquired a PET bottling and can Manufacturing Plant to expand the PET capacity and to enhance the product range to include canned beverages.
- Leveraged digital capabilities to drive operational excellence.
- Strategic market activations.
- Strategic partnerships to boost beverage exports.

SUPERMARKETS

- Opened 4 new outlets and upgraded 4 existing outlets to Extended format stores.
- Leveraged centralised distribution to facilitate product availability across our stores.
- Optimised the operational efficiency of the centralised warehouse.
- Strategic deployment of technology to drive operational excellence.

Resources allocated

Capital expenditure

Rs. 1,775 Mn
Manufacturing

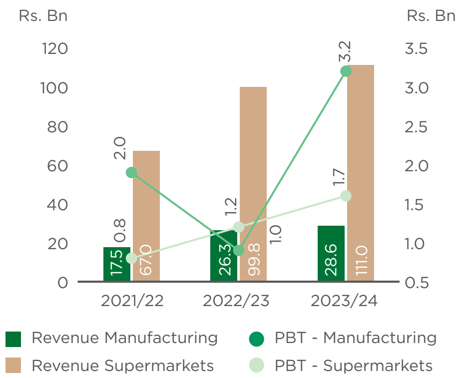
Rs. 2,323 Mn
Supermarkets

Rs. 1.2 Bn
Investment in digital capabilities

Rs. 1,822 Mn
Advertising and Promotion expenses

Key performance indicators

Performance



MANUFACTURING

Market share

Increased in Frozen Confectionery.

Maintained in Beverages and Supermarkets.

Overall Equipment Efficiency (OEE)

Improved to **85%** from **84%.**

Our Capital Outcomes / Impacts

Financial Capital

+11% to Rs. 139.6 Bn
Consolidated Revenue

+36% to Rs. 3.4 Bn
Consolidated PAT

Manufactured Capital

+2% to Rs. 27.8 Bn
Property, Plant and Equipment

Stakeholders impacted

Shareholders

Customers

Suppliers and business partners

Fulfilling the Customer Promise

Strategic initiatives in 2023/24

MANUFACTURING

- Expanded the Beverage range to include canned beverages.
- Launched 10 new products in Frozen Confectionery and 1 product under Beverages.
- Improved the carbonation levels of the CSD range.
- Incorporated Advance Data Analytics for decision making

SUPERMARKETS

- Extended the hot food range at Supermarkets with in-store dining at selected outlets.
- Expanded the value-driven offering in response to customers' affordability concerns.
- Broadened the private label product portfolio.
- Deployed advanced data analytics to optimise the product offering at each outlet in line with consumer needs.
- Leveraged centralised warehousing capabilities to facilitate product availability while maintaining freshness.

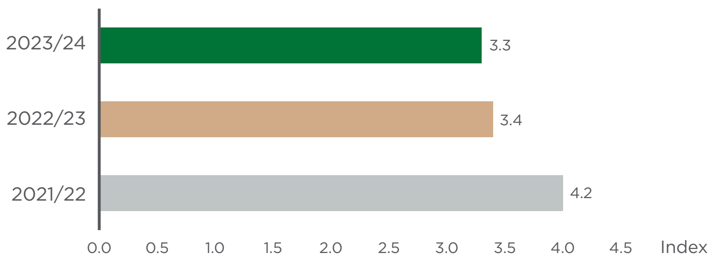
Resources allocated

Rs. 72 Mn
Investment in R&D (Manufacturing)

Rs. 25 Mn
Investment in service related training for employees (Supermarkets)

Key performance indicators - Supermarkets

Store Equity Index



11
New Products (Manufacturing)

71
New private label product lines (Supermarkets) including reactivations

Capital outcomes / impacts

Social and Relationship Capital

Strengthened customer relationships by delivering on our customer promises.

Intellectual Capital

Expanded our product range through R&D

Stakeholders impacted

Customers

Strategy and Resource Allocation

Empowered Team

Strategic initiatives in 2023/24

MANUFACTURING

- Emphasis on retaining and recruiting high performing talent.
- Focused on employee well-being through the construction of a new canteen facility for the team at Ranala under the 'Ambience in the Workplace' initiative.
- Upskilled staff and provided opportunities for career progression.
- Revised the recruitment policy to enhance gender diversity for traditionally male dominated roles.
- Initiatives to safeguard employee well-being at the workplace including the introduction of the Safety Health and Environment (SHE) framework and the SHE Houses App.
- Ongoing efforts to align corporate culture with corporate values.
- Emphasis on enhancing employer branding in the labour market.

SUPERMARKETS

- Focused on enhancing our employee value proposition to retain and attract high performing talent.
- Ongoing efforts to decentralise the HR function to respond more swiftly to employee needs.
- Initiated the Knowledge Hub to capture and codify tacit knowledge of Head Office staff.
- Transformed 3 outlets to female empowered ones to highlight the contribution made by our female employees'.
- Launched the Keells Awards to recognize extraordinary contributions of individuals and departments.

Resources allocated

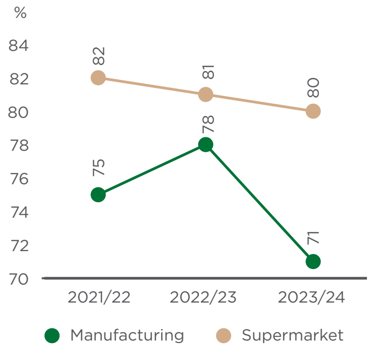
Rs. 10,192 Mn
Payments to employees

Rs. 84 Mn
Investment in training and development

Rs. 301 Mn
Payments for employee well-being

Key performance indicators

Employee Satisfaction Rate



Employee retention rate
Manufacturing **87%**
Supermarkets **6%**

Training and development
Training hours
162,173
Average training hours per employee
22

Diversity, equity and inclusion
Female representation
42%
Female empowered supermarkets **3**

Capital outcomes / impacts

Human Capital
An empowered, future focused team of dedicated employees

Intellectual Capital
Enhanced organisational tacit knowledge through learning and development

Stakeholders impacted

Employees

Managing the Value Chain

Strategic initiatives in 2023/24

MANUFACTURING

- Strengthened relationships with channel partners through trade discounts, infrastructure support, exclusive contracts and promotions.
- Leveraged digital platforms to deepen engagement with value chain partners.
- Emphasis on developing the local supplier base.
- Ongoing support to farmer communities supplying key ingredients.

SUPERMARKETS

- Building climate resilience and promoting sustainable agricultural practices through the Keells Govi Diri programme.
- Leveraged the Sector's centralised distribution capability to enhance convenience to suppliers.
- Revamped the fish supply chain to enhance freshness and improve price competitiveness.
- Ongoing reliance on digital platforms to enhance engagement and facilitate convenience.

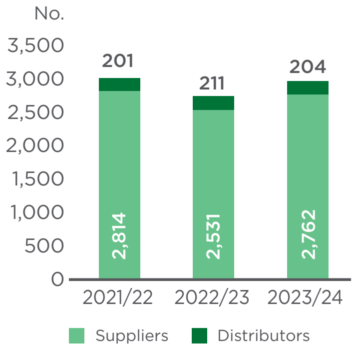
Resources allocated

Rs. 122,184 Mn
Payments to suppliers

Rs. 5 Mn
Investment in supplier development

Key performance indicators

Number of Distributors and Suppliers



Channel partners

84% Distributors retention rate

Over **100,000** retail outlets

635 Freezers added

10 Collection Centers

Suppliers

96% (2022/23: 92%) Local procurement

Keells Govi Diri Programme supported farmers **484**

96 Training programmes

98 Supplier audits

Capital outcomes / impacts

Financial Capital

Build climate resilience along the supply chain to facilitate supply security of key inputs.

Social and Relationship Capital

Deepened relationships and enhanced climate resilience along the value chain.

Facilitated greater customer reach and accessibility.

Stakeholders impacted

Suppliers

Distributors / Retailers

Strategy and Resource Allocation

Sustainable and Responsible Organisation

Strategic initiatives in 2023/24

MANUFACTURING

- Initiated ISO 50001:2018 Energy Management Systems accreditation.
- Ongoing focus on reducing the use of plastic/polythene across our operations.
- Emphasis on increasing plastic collection and recycling.
- Engaged in CSR initiatives that addressed the nutritional needs of school children.

SUPERMARKETS

- Ongoing focus on monitoring and reducing energy consumption while improving renewable energy generation.
- Ongoing emphasis on reducing single-use polythene, plastic and paper consumption across our outlets and at the distribution centre.
- Focused efforts to reduce food waste across the value chain.
- Investments in community programmes that addressed the nutritional needs of pre-school children.

Resources allocated

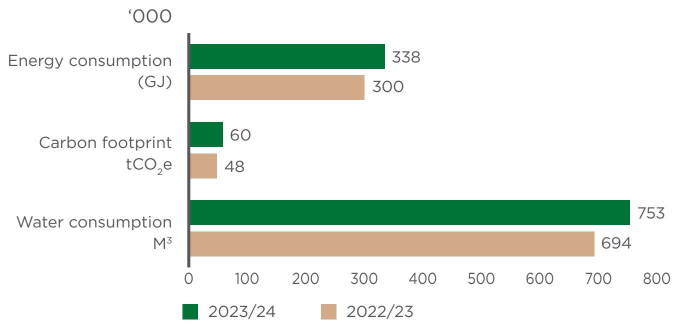
Rs. 265 Mn
Investment in environmental initiatives

Rs. 42 Mn
CSR spend

Partnerships to support sustainability initiatives.

Key performance indicators

Environmental Impacts



28%
Collected and recycled PET bottles versus sales

17% (2022/23: 17%)
Reliance on renewable energy

35%
Reduction in single use polythene / plastic within our operations

Over 7,860
Beneficiaries from CSR initiatives

Capital expenditure

Financial Capital
Enhanced business resilience by mitigating environmental risks.

Social and Relationship Capital
Strengthened our social license to operate through impactful CSR initiatives.

Natural Capital
Optimised use of natural resources while minimising negative impacts.

Stakeholders impacted

Communities

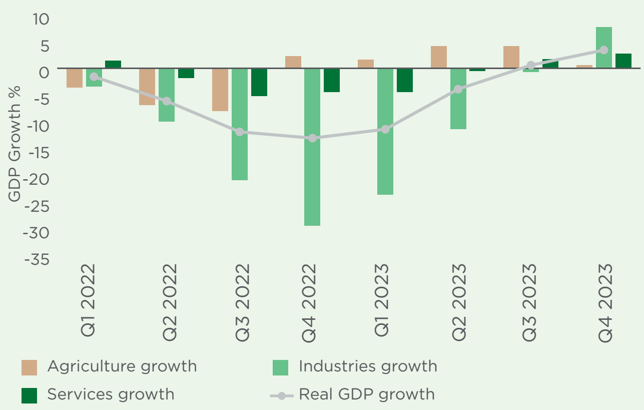
Operating Environment

Fiscal and monetary policy measures implemented by the Government of Sri Lanka (GoSL) and Central Bank of Sri Lanka (CBSL) yielded positive results as a resilient Sri Lankan economy demonstrated encouraging signs of recovery in 2023. While considerable uncertainties remain as the country's sovereign rating persists in default given ongoing negotiations with external creditors, progress has been made under the economic reform programme of the IMF, with the country reaching a staff level agreement following the second review under the Extended Fund Facility (EFF) in March 2024. As key macro-economic indicators gradually improved, highlighted by positive real GDP growth in the third and fourth quarters of 2023, we proactively adapted our business strategies to capitalise on emerging opportunities presented by the improving economy while mitigating risks.

MOVEMENTS IN KEY ECONOMIC INDICATORS

Gross Domestic Production (GDP)

GDP contraction slowed to 2.3% in 2023 (2022: -7.3%) with positive growths of 1.6% and 4.5% recorded in Q3 and Q4 of 2023.



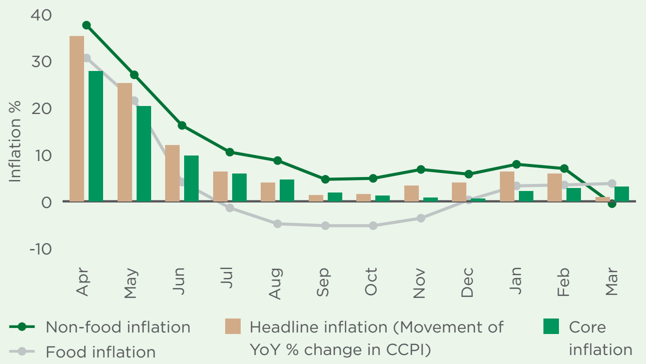
Source: Central Bank of Sri Lanka

Inflation

Inflation followed a downward trajectory from its peak in 2022 and stabilised within CBSL's medium term inflation expectations of 5%.

March 2024	%
Headline inflation	0.9
Core inflation	3.1

March 2024	%
Food inflation	3.8
Non-food inflation	-0.5



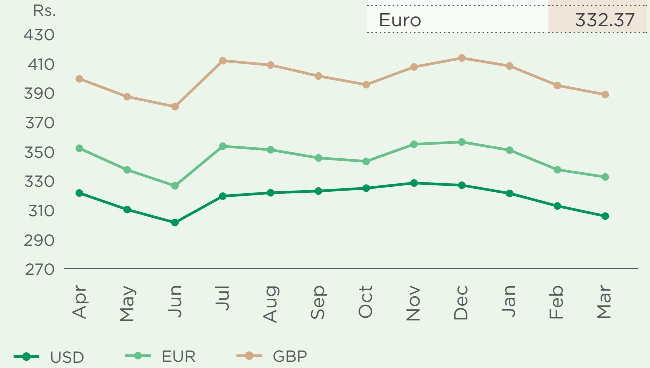
Source: Central Bank of Sri Lanka

Improved foreign currency inflows supported by the resurgence of the tourism industry, receipts under financing support arrangements with international agencies, and improvements in workers' remittances led to the stabilisation of the country's external position. Accordingly gross official reserves improved to USD 4.4 billion as at end-December 2023 (end-December 2022: USD 1.9 Bn).

Exchange Rate

The Sri Lankan Rupee appreciated by 11% against the US Dollar in 2022/23.

March 2024	Rs.
USD	305.67
GBP	388.56
Euro	332.37

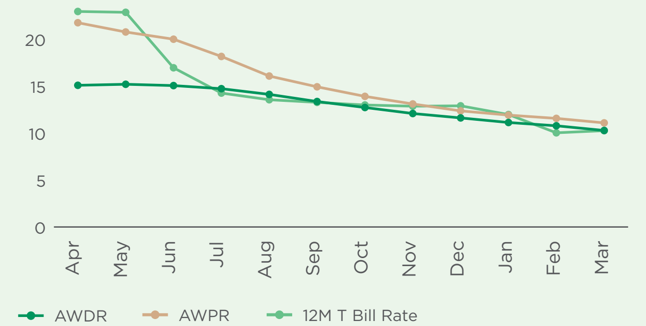


Source: Central Bank of Sri Lanka

Interest Rate

Declining inflation and the stabilisation of the exchange rate enabled monetary policy easing resulting in the gradual decrease in interest rates.

March 2024	%
AWDR	10.30
AWPR	11.11
12M T-bill rate	10.28



Source: Central Bank of Sri Lanka

Operating Environment

IMPLICATIONS ON CCS

Opportunities	Material Topics	Key Risks
• Gradual alleviation of the volatilities that prevailed in the economy in 2022/23. • A steady uptick in consumer demand despite increased price consciousness. • Easing of supply chain related challenges and normalization of working capital cycles. • Declining cost of borrowing. • Reduction in input costs	• Managing macro-economic challenges. • Providing value for money with quality products.	• Macro-economic environment. • Foreign exchange and interest rates. • Price volatility of key raw materials. • Sustainable distribution operation. • Liquidity risk and high finance cost.

Our strategic response

- Proactively monitoring macro-economic developments and adapting robust strategies accordingly.
- Emphasis on expanding value enhancing propositions.
- Strategic activations to enhance brand engagement.
- Ongoing efforts to diversify the supplier base with emphasis on expanding local procurement.

GOVERNMENT POLICY

Key Government policies implemented 2023/24 that had implications on our operations included,

- The gradual lifting of import restrictions.
- The increase in value added tax to 18% from 15% and the extension of VAT liability to 95 items previously exempt from VAT.
- The significant increase in the tax on imported sugar to Rs. 50 per kilogram from 25 cents per kilogram.
- The introduction of the Personal Data Protection Act No. 9 of 2022.
- The imposition of a Government ban on importation, production, sale and use of certain single use plastic straws and spoons.
- The upward revision of excise duties by 16% on CSD and Fruit Juice categories.
- Policy cuts on Interest Rates from 22% in the beginning to 11% by the end of the year.
- Changes in electricity tariff; 40% increase in February 2023, 9% reduction in July 2023, 12% increase in October 2023 and 18% reduction in March 2024.

IMPLICATIONS ON CCS

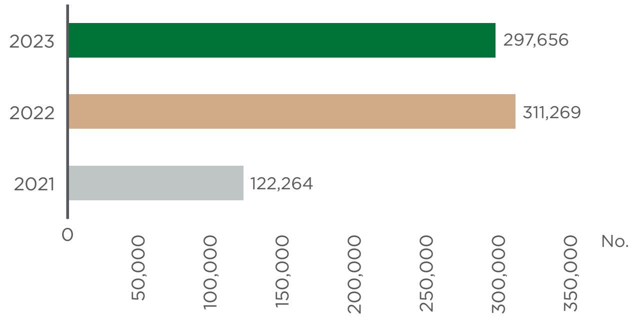
Opportunities	Material Topics	Key Risks
• Easing of supply chain related challenges. • Compliance with data protection legislation. • Growing need to explore more sustainable packaging alternatives. • Availability of liquidity in the market at lower borrowing rates.	• Managing margins, enhancing financial performance and stability. • Managing natural inputs and outputs. • Providing value for money with quality products. • Data security.	• Macro-economic environment. • Changes in electricity and fuel prices, taxes and tarrifs. • Price volatility of key raw materials. • Sustainable distribution operation. • Liquidity risk and high finance cost.

Our strategic response

- Effectively balanced margin management with price sensitivities of consumers.
- Implementation of all necessary procedures to comply with the new personal data protection legislation.
- Introduction of canned Beverages as an alternative to PET bottles.
- Increased emphasis recycling plastic waste through the Elephant House Gunadamin Plastic Recycling initiative.

LABOUR MIGRATION

While the exodus of Sri Lankans seeking better opportunities abroad continued into 2023, the total departures for foreign employment in 3Q and 4Q 2023 showed some decline compared with the same period in 2022. Total departures for foreign employment for the period from January to December 2023 dipped to 297,656 compared with 311,269 for the same period in 2022.



IMPLICATIONS ON CCS

Opportunities	Material Topics	Key Risks
• Challenges to employee retention and timely recruitment. • Implications on the Group's tacit knowledge.	• Talent attraction and retention.	• Labour relations and loss of talent.

Our strategic response

- Ongoing efforts to strengthen our employee value proposition through close engagement, upskilling staff and creating opportunities for career progression.
- Efforts to strengthen our recruitment strategy and enhancing our employer branding.
- Implementation of the Knowledge Hub in the Supermarket Sector to formally codify the tacit knowledge.

ENVIRONMENTAL RISKS AND IMPLICATIONS

Environmental risks rank among the top risks facing the world over the next decade with extreme weather events, critical change to earth systems, biodiversity loss and ecosystem collapse and natural resource shortages ranked among the top 5 (World Economic Forum, Global Risk Report 2024). As an organisation reliant on agricultural inputs the Group is exposed to environment related risks in the following manner,

Physical risks of climate change	Transient risks of climate change
• Adverse weather events and its impacts on supply chains, demand conditions and price volatility. • Implications of water stress on the Manufacturing Sector.	• Increased environmental regulations. • Increased environmental consciousness among consumers. • Rise in cost of raw materials.

Operating Environment

IMPLICATIONS ON CCS		
Opportunities	**Material Topics**	**Key Risks**
• Disruptions to uninterrupted supply of key inputs, price volatility and implications on demand dynamics. • Reputational and regulatory risks arising from the negative externalities associated with plastic/polythene usage. • Disruptions to power supply due to reduced rainfall.	• Managing natural inputs and outputs.	• Sustainability risk.

Our strategic response

- Proactively monitored environmental implications on our operations and adopted measures to minimise our impacts.
- Improved the sustainability of Beverage packaging through the introduction of cans.
- Ongoing emphasis on renewable energy generation.
- Ongoing emphasis on reducing plastic, polythene and paper usage across our operations while enhancing plastic recycling efforts through the Elephant House Gunadamin Plastic Recycling Initiative.
- Partnerships and capacity building of suppliers to enhance climate resilience across agricultural supply chain.

DIGITAL DISRUPTION

Digital platforms and data analytics have transformed how organisations do business by improving operational efficiency and enhancing organisational responsiveness to evolving market dynamics. Digital platforms have enabled the streamlining of routine processes through automation while advanced data analytics offers organisations valuable insights into shifts in consumer preferences, productivity, and market trends.

IMPLICATIONS ON CCS		
Opportunities	**Material Topics**	**Key Risks**
• Identifying and responding swiftly to market dynamics presents opportunities for the Group to gain a competitive edge. • Opportunities to tailor product offerings to evolving consumer needs. • Enhanced value creation opportunities for channel partners and suppliers. • Cyber security, data privacy and protection related risks.	• Digitisation and e-commerce platforms. • Data security.	• Vulnerabilities from IT related risks (cyber risk).

Our strategic response

- Ongoing deployment of digital platforms across all key value creating activities within our business.
- Increased reliance on data analytics for stakeholder value creation.
- Ensured compliance with the regulatory requirements under the Data Protection Act while implementing data security measures that align with JKH Group guidelines and industry best practice.

EVOLVING CONSUMER PREFERENCES

As economic conditions stabilised, consumer demand gradually increased although affordability remained a key priority. Concurrently, concerns persist among consumers regarding health, nutrition, and environmental considerations with emphasis on minimising adverse impacts. Meanwhile, the younger demographic demonstrated openness towards embracing new trends and the swifter adoption of innovative offerings.

IMPLICATIONS ON CCS

Opportunities	Material Topics	Key Risks
• Critical importance of adapting the value proposition to evolving consumer preferences to ensure the relevancy of our offerings. • Affordability led demand implications. • Demand implications on the CSD range given health and nutritional concerns. • Growing need to explore more sustainable packaging alternatives.	• Customer health and safety. • Managing natural inputs and outputs. • Providing value for money with quality products. • Provide best-in-class customer service in the Supermarket Sector. • Innovation to promote health, nutrition and lifestyle changes.	• Macro-economic environment.

Our strategic response

- Increased reliance on data analytics to stay ahead of evolving consumer preferences.
- Ongoing emphasis on enhancing value driven propositions.
- Extended the hot food offering at Supermarkets to include a range of competitively priced nutritious meals and crowd favourites.
- Introduction of canned beverages as a more convenient and sustainable alternative.

Embedding Sustainability

The intensifying effects of climate change and the socio-economic implications of post-crisis economic stabilisation measures have reaffirmed the interdependencies that exist among our businesses, the environment and the socio-economic landscape. This emphasises the critical importance of integrating sustainability considerations into our strategy and value creating activities. Therefore, prioritising long-term business resilience over short-term financial gains, we have made substantial investments in promoting sustainable business practices within the Group and across our value chain. Key highlights for 2023/24 are discussed below.

Environment

CLIMATE ACTION

62,575 GJ
of solar power generated

0.134 (GJ/Sqft)
Energy intensity – Supermarkets

1.012 (GJ/1,000 Ltrs)
Energy intensity – Manufacturing

24.24 (tCO_2e/Sqft)
Emission intensity – Supermarkets

0.164 (tCO_2e/1,000Ltrs)
Emission intensity – Manufacturing

- Initiation of ISO 50001:2018 Energy Management Systems certification.
- Replacement of a chilling plant with a more energy efficient alternative in the Manufacturing Sector.
- Ongoing efforts to improve energy efficiency across the Manufacturing and Supermarket Sectors.

REDUCE OUR IMPACT ON LANDFILLS

726 MT
of plastic recycled

26% (+10%)
reduction in polythene consumption across our operations.

119,000 Kg
per month Supplied fruits and vegetables to beneficiaries

- Established 8 new plastic recycling centres to enhance the recycling capacity.
- Introduction of reusable wrapping belts to secure goods stored on palettes at elevated storage positions at the distribution centre.
- Ongoing emphasis on repurposing unsold fresh produce through the ‘Food Redistribution Project’.

Social

SUPPORTING THE NUTRITIONAL NEEDS OF SCHOOL CHILDREN

- The Manufacturing Sector provided students at the Ranala Adarsha Kanishta Vidyalaya and Philip Thilakawardana School with a mid-day meal through the Gunadamin Pasal Diriya initiative.
- The Supermarket Sector supported students at 46 pre-schools through the crowd funded initiative ‘A Nutritious Tomorrow for Our Little Ones’.

2,538
Students supported

262,010
School meals provided

DIVERSITY AND INCLUSION

- Policies to ensure an equitable and female friendly work environment.
- Recognised the contribution of women to organisational performance.
- Revised the recruitment policy to enhance female participation in non-traditional roles.
- Operated 3 female empowered Supermarkets.

42%
Female representation in the workforce

‘Dinanee’
Programme in Frozen Confectionery category to promote female entrepreneurship.

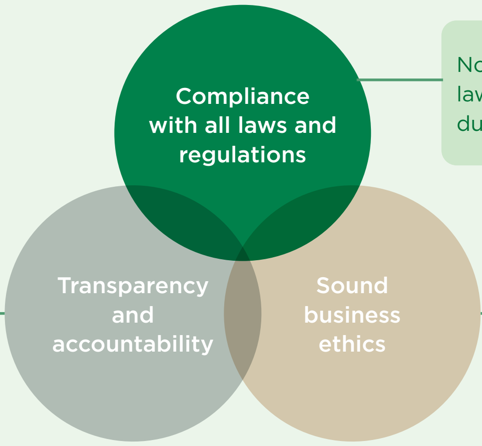
SUSTAINABILITY CONTEXT

Socio-economic implications of the measures implemented to restore economic stability.

Intensifying implications of climate change

Governance

The CCS Board through its operating structures governs the sustainability related matters within the Group with due emphasis placed on the areas given below. Performance is monitored periodically by the Group Executive Committee (GEC) and at the Board level.



No incidents of non-compliance with laws and regulations were reported during the year under review.

JKH Group was ranked first in the Transparency in Corporate Reporting Assessment (TRAC) by Transparency International Sri Lanka (TISL) for the 4th consecutive year with a 100% score for transparency in disclosure practices.

No business ethics violations were recorded during the year under review.

In the year ahead, the Group aims to strengthen its data governance structure through clearly articulated policies, processes, and Group-wide data quality standards.

LIVELIHOOD AND CAPACITY DEVELOPMENT

- Promoted climate resilient agricultural practices along the supply chain through the Keells "Govi Diri" programme.
- Placed emphasis on local procurement in the Manufacturing Sector.
- Inclusion of ESG considerations into supplier contracts.

Rs. 122.2 Bn
In supplier payments

13,641
Suppliers/farmers assisted through capacity building initiatives.

635
Freezers deployed in support of our channel partners.

RESPONDING TO CUSTOMER HEALTH CONSIDERATIONS

- 16 products in the non-CSD range.
- 99% of the CSD portfolio is in amber or green categories for sugar content.
- 45% substitution of calorific sugar with natural sweeteners in the CSD sugar content.
- Wellness range: "Feelgood" under Frozen Confectionery which includes, low calorie and no-added sugar ice creams.
- 'Enjoy the season responsibly' campaign during the Christmas season.
- Responsible product labelling and marketing.

Increased landfill waste stemming from polythene and plastic usage

Growing pressure from customers and other stakeholders to adopt sustainable business practices.

Sedentary lifestyles and increasing prevalence of non-communicable diseases

Delivering our Strategy through our Business Lines

Manufacturing

Operating context

Supported by policy measures implemented by the CBSL and GoSL, macro-economic indicators stabilized during the year, and chartered a path of recovery. Accordingly, consumer demand regained momentum although dipping during the third quarter given adverse weather conditions. Meanwhile, high labour migration rates continued to pose challenges to employee retention while Government policy considerations include the gradual lifting of import restrictions, increase in VAT and tax on imported sugar and the imposition of a ban on the production, importation, and use of single use plastic.

Strategic priorities and progress made in 2023/24

SUSTAINABLE GROWTH

- Future focused the product portfolio through the acquisition of a PET bottling and can manufacturing plant.
- Managed margins in the context of customers' pricing sensitivities.
- Operational excellence through investments in new, energy efficient machinery, and emphasis on enhancing the efficiency of production lines.
- Conscious efforts to par down borrowings and optimise inventory levels to reduce working capital financing requirements.
- Strategic partnerships to expand Beverage exports.

More information – Manufactured Capital in page 69 and Financial Capital in page 65.

FULFILLING THE CUSTOMER PROMISE

- Extended the product range through the introduction of canned Beverages.
- Ongoing investments in R&D to develop new products and enhance the quality of the product range.
- Responded to affordability concerns of consumers by focusing on offering smaller pack sizes.
- Strategic market activations to enhance brand engagement.

More information – Social and Relationship Capital in page 91.

EMPOWERED TEAM

- Focused on employee retention through the provision of opportunities for upskilling and career progression alongside the strengthening of recruitment strategies.
- Emphasis on employee well-being through the construction of a new, modern canteen facility for our team at Ranala alongside ongoing efforts to safeguard employee occupational health and safety.
- Initiated efforts to enhance our employer branding in the labour market.
- Revisions to the recruitment policy to enhance gender balance in traditionally male dominated roles.

More information – Human Capital in page 74.

MANAGING THE VALUE CHAIN

- Extended support to channel partners through exclusive contracts, loyalty programmes, cold chain support and deployment of merchandising equipment through initiatives including Sector 1500 programme, Jeewaya initiative and Project Green Roads initiative.
- Ongoing emphasis on diversifying the supplier network and expanding local supply through capacity building.
- Supporting the local farmer community and empowering women along the value chain.

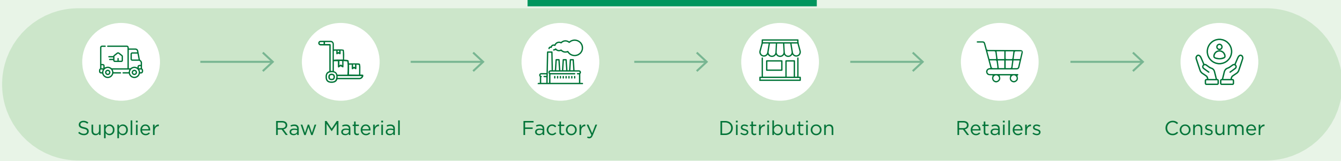
More information – Social and Relationship Capital in page 91.

SUSTAINABLE AND RESPONSIBLE ORGANISATION

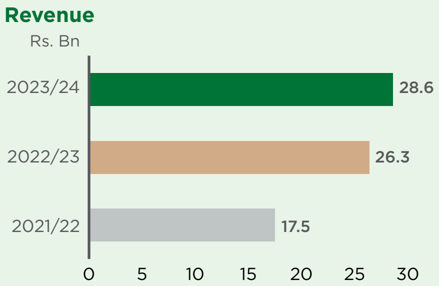
- Initiated ISO 50001:2018 Energy Management Systems accreditation for the manufacturing facility at Ranala.
- Maximised renewable energy generation while focusing on improving the energy efficiency of our operations.
- Emphasis on plastic recycling through the "Gunadamin" plastic recycling initiative.
- Ethical sourcing practices.
- Impactful CSR initiatives.

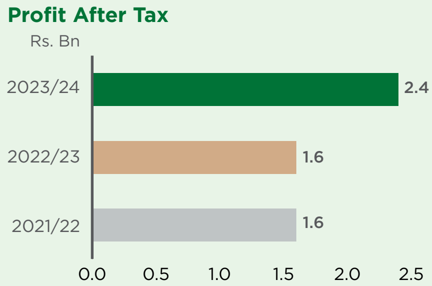
More information - Natural Capital in page 102 and Social and Relationship Capital in page 91.

Our value chain



Performance highlights in 2023/24



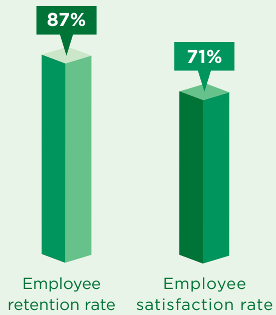


MARKET SHARE

- Frozen Confectionery category retained the market leadership position.
- Beverages category maintained the market share.

+11
New products launched

+860
CSR beneficiaries



VALUE CHAINS

- **26** distributors added.
- **635** freezers deployed to the market.
- **27** suppliers added.
- **7%** increase in local procurement.

Environmental impact	
Energy intensity (GJ/1,000 Ltrs)	1.012
% of renewable energy	7%
Carbon footprint (tCO_2e)	15,591
% increase in plastic recycle of PET bottles sold	12%

Contribution to Group performance	
Revenue	20%
Operating profit	46%
Profit after tax	69%
Total assets	37%
Total liabilities	20%

Underpinned by digital platforms and data analytics

Numerous digital platforms, and data analytics tools were vital in supporting strategic decision making, enhancing operational efficiency, streamlining supply chain activities and gaining insights into consumer needs.

Emphasis was also placed on implementing processes to maintain data security and customer data privacy.

Outlook

As economic conditions gradually improve, we will focus on building upon the progress achieved during 2023/24, by investing in enhancing our customer value proposition in line with evolving needs. While we acknowledge the potential challenges ahead, we will approach the coming year with a positive mindset, proactively seizing new opportunities while effectively managing risk to create mutual value for all our stakeholders.

Delivering our Strategy through our Business Lines

Supermarkets

Operating context

Macro-economic indicators stabilised during the year and demonstrated signs of recovery, underpinned by policy measures implemented by the CBSL and GoSL. However, elevated prices continued to impact consumer demand resulting in smaller basket sizes although footfall remained strong. High labour migration rates posed challenges to employee retention while adverse weather conditions impacted the price competitiveness and supply security of fresh produce. New legislation was introduced regarding the protection of personal data and banning the production, importation and use of single use plastic.

Strategic priorities and progress made in 2023/24

SUSTAINABLE GROWTH

- Ongoing emphasis on expanding the retail footprint and enhancing the customer retail experience.
- Conscious efforts to reduce borrowings and optimised inventory management to improve cashflow.
- Aligned the operations of the centralised distribution centre with prevailing market conditions through improvements to route planning, optimisation of delivery schedules, inventory levels and operational hours, and training to improve staff productivity.

More information – Financial Capital in page 65 and Manufactured Capital in page 69.

FULFILLING THE CUSTOMER PROMISE

- Elevated the hot food offering at 68 outlets through the introduction of a range of new bakery, prepared meals and pizza options available throughout the day.
- Enhanced the price competitiveness of our product range through direct imports, expanding the private label product range, offering over 700 SKUs at promotional prices, and increasing the price competitiveness of fresh produce and fish.
- Leveraged the strength of centralised distribution to ensure product availability across the Supermarket network.

More information – Social and Relationship Capital in page 91.

EMPOWERED TEAM

- Supported employee well-being while creating avenues for growth through training programmes that were tailored to meet individual and organisational goals.
- 'Knowledge Hub' was initiated to codify the tacit knowledge of head office staff.
- Celebrated the contribution of female employees through the launch of female empowered outlets.
- Ongoing efforts to decentralise the HR function.

More information – Human Capital in page 74.

MANAGING THE VALUE CHAIN

- Enhanced climate resilience and propagated sustainable agricultural practices to over 484 farmers through the 'Keells Govi Diri' programme.
- Capacity building of local suppliers.

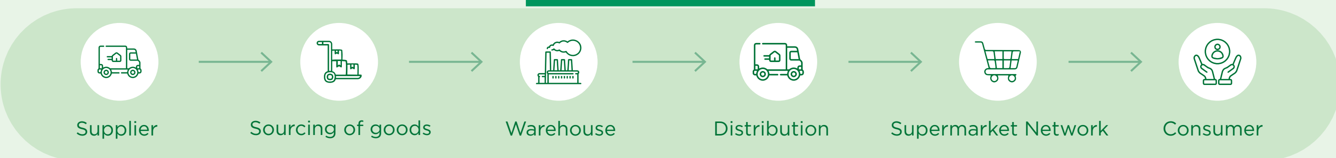
More information – Social and Relationship Capital in page 91.

SUSTAINABLE AND RESPONSIBLE ORGANISATION

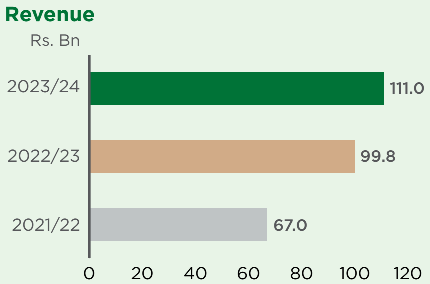
- Maximised solar power generation through real-time monitoring and implementation of corrective action when deviations were noted.
- Ongoing initiatives to minimise consumption of single use polythene, plastic and paper across our operations.
- Ongoing initiatives to minimise food waste at our operations and along the supply chain.
- Ethical sourcing practices.
- Impactful community engagement.

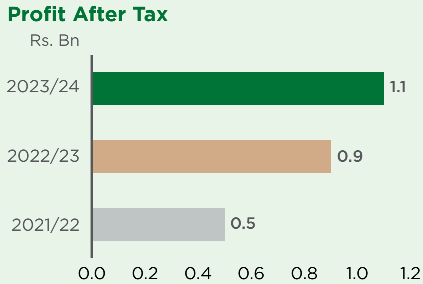
More information Natural Capital in page 102 and Social and Relationship Capital in page 91.

Our value chain



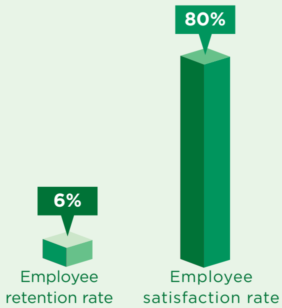
Performance highlights in 2023/24





3.3
Store equity index

+71
New private label product lines (including reactivations)



- **484** farmers supported through the Keells Govi Diri programme.
- **10** new suppliers added in 2023/24.
- **Over 7,000** CSR beneficiaries.

Environmental impact	
Energy intensity (GJ/Sqft)	0.134
% of renewable energy	20%
Carbon footprint (tCO_2e)	43,916
Reduction in polythene consumption	26%

Contribution to Group performance	
Revenue	80%
Operating profit	54%
Profit after tax	31%
Total assets	63%
Total liabilities	80%

Underpinned by digital platforms and data analytics

Digital platforms and data analytics tools were integral in enhancing operational efficiency, understanding evolving customer needs, increasing supply chain efficiency, and facilitating employee engagement and improving management decision making.

The strength of our data analytics capabilities has enabled the development of **Keells Insights**, a data service initiative which provides consumer insights to FMCG businesses for the development of targeted promotional campaigns catering to over 2 Mn Nexus loyalty customer base.

Emphasis was also placed on implementing processes to maintain data security and protect privacy of our customer data.

Outlook

As the economy gradually recovers, we hold a positive outlook on the growth prospects of the coming year and plan to adopt a growth-oriented approach. With over 2 Mn Nexus loyalty membership customers, 1,804 farmers, 1,448 suppliers, and 6,318 team members across our value chain, we aim to pursue strategic initiatives that enable us to stay relevant to their evolving needs while aligning with our vision and core values of making a positive impact within the communities we serve.

Capital Management

Financial Capital

+11% increase in consolidated revenue

+36% increase in consolidated post-tax profit

+3% increase in consolidated assets

Human Capital

7,357 employees Team CCS

1,039 employees Manufacturing Sector

6,318 employees Supermarket Sector

Creating a challenging, equitable and rewarding work environment that inspires our employees to excel.

Manufactured Capital

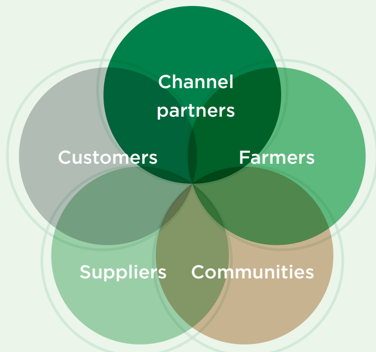
Rs. 27.75 Bn Property, plant and equipment

Rs. 4.48 Bn Intangible assets

Rs. 4.1 Bn Capital expenditure

Value created through the acquisition of a PET bottling and can manufacturing plant, expansion of the retail footprint and utilisation of digital technology to derive a competitive edge.

Social and Relationship Capital



Adapting our value proposition to stay relevant to the evolving needs of our value chain partners.

Natural Capital

Ongoing emphasis on advancing the sustainability of our business operations by promoting environmentally friendly practices and supporting a circular economy through investments in recycling and waste minimisation.

Tree planting at Ranala after canteen opening

Intellectual Capital

11
New products launched (Manufacturing Sector)

Rs. 9 Bn
Elephant House brand value in 2023*

Cream Soda
The "Beverage Brand of the year"**

Rs. 17.75 Bn
Keells brand value in 2023 Second most valuable Supermarket brand in Sri Lanka in 2023*

**Brand Finance (2023)*
***Peoples Awards (2023)*

Financial Capital

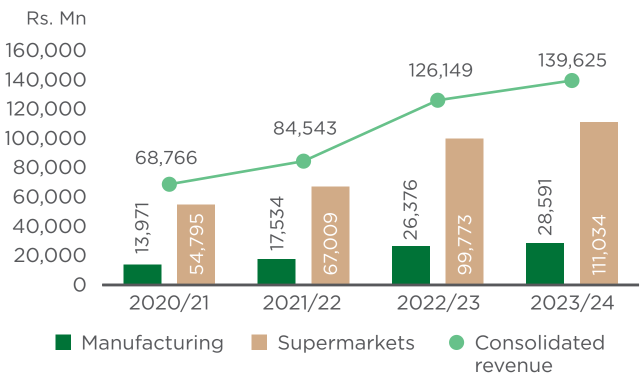
> As the economic conditions stabilised and charted a path of recovery, our long-term perspective guided a strategic shift from navigating challenges to exploring growth opportunities prioritising sustainable value creation for our shareholders.

Financial Capital

REVENUE

Consolidated revenue increased by 11% to Rs. 139.62 billion during the year, supported by the resilient performance of both the Manufacturing and Supermarket segments. The Manufacturing Segment's revenue expanded by 8% to Rs. 28.59 billion, driven by volume growths in both Beverages and Frozen Confectionery categories by 7% and 4% respectively. Meanwhile, the Supermarket segment recorded a revenue growth of 11% to Rs. 111.03 billion, given the increased footfall at stores and continued outlet expansion. The Supermarket segment contributed 80% to the Group's revenue during the year.

Revenue Trends



GROSS PROFIT

Consolidated gross profit increased by 37% to Rs. 17.5 billion compared to previous year, supported by reduction in input cost stemming from the normalisation of commodity prices and the strengthening of the Sri Lankan rupee. Gross profit margins in the Manufacturing Sector showed an upward trajectory, marking a 10% increase and reaching an overall gross profit margin of 37% for the year. Meanwhile, the Supermarket Sector maintained a gross profit margin of 6%, consistent with the previous year. Additionally, other income increased by 14%, primarily driven by promotional income in the Supermarket Sector.

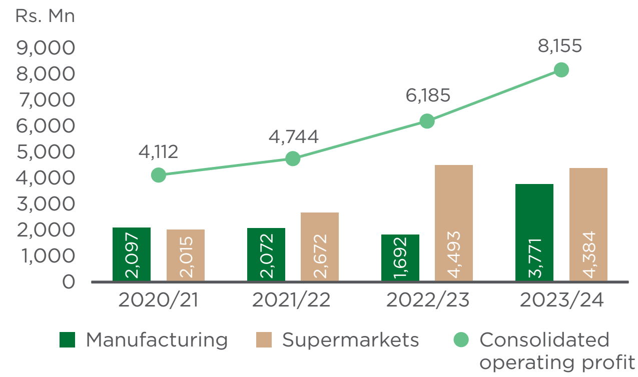
COST MANAGEMENT

Group overhead expenses increased by 34% to Rs. 12.3 billion during the year. Administrative expenses rose by 27% to Rs. 4.88 billion, reflecting increased staff-related costs as the Group continued to invest in delivering on its people promises to retain and attract high-performing talent. Both the Manufacturing and Supermarket Sectors intensified brand building efforts to uphold the vitality of their brands, resulting in a 24% increase in selling and distribution expenses to Rs. 4.97 billion. Other operating expenses saw a substantial 83% rise to Rs. 2.45 billion, driven by the Social Security Contribution Levy (SSCL) expense, which came in to effect from October 2022.

OPERATING PROFITABILITY

The Group's consolidated operating profit surged by 32% to Rs. 8.16 billion during the year, largely driven by a remarkable 123% increase in the Manufacturing Sector. Operating profit margins for the Group improved to 6% during the year from 5% in the previous year. Meanwhile, the Manufacturing Sector's operating margin rose to 13% from 6% of last year, while the Supermarket Sector maintained the margin at 4% throughout the year. The Manufacturing Sector strong performance was fueled by volume growth, supported by increased consumer spending and a reduction in input costs. Meantime, the Supermarket Sector saw a marginal decrease in operating profit, dropping by 2% to Rs. 4.38 billion. This downturn was influenced by the rise in electricity tariffs and the introduction of Social Security Contribution Levy (SSCL) effective from October 2022.

Operating Profit



PROFITABILITY

The Group's net finance cost decreased by 18% to Rs. 3.25 billion, supported by a decline in interest rates and the normalisation of the working capital cycle. Overall pre-tax profits surged by 120% to Rs. 4.93 billion, with the Manufacturing and Supermarket Sectors contributing 66% and 34%, respectively, to the Group's total pre-tax profits. The Group's consolidated profit after tax expanded by 36% to Rs. 3.43 billion during the year.

TAXATION

The Group's tax contribution rose to Rs. 1.50 billion with an effective tax rate of 31% during the year, compared to the tax reversal of Rs. 273 million recorded in the previous year, resulted from one-off reversal of the deferred tax provision of Rs. 992 million on account of enhanced capital allowance.

CASHFLOW

The cash flow pressures experienced in the previous year eased in the current year as economic conditions gradually stabilized, resulting in improved cash inflows from sales and reduced investments in working capital. Cash flow from operating activities significantly improved by 4.47 times, supported by enhanced sales volumes, decreased investments in working capital, and reduced finance costs. Net cash outflows from investing activities amounted to Rs. 4.06 billion, driven by the Manufacturing Sector's investment in the PET bottling and can manufacturing plant, the Supermarket Sector's expansion of its retail footprint, and investments in technology by both Sectors. Net cash outflow from financing activities totalled Rs. 5.2 billion as debt was repaid, reflecting improvements in cash flows and a deliberate effort to reduce borrowings and optimize finance costs. Consequently, the Group's cash and cash equivalents increased by Rs. 4.71 billion during the year.

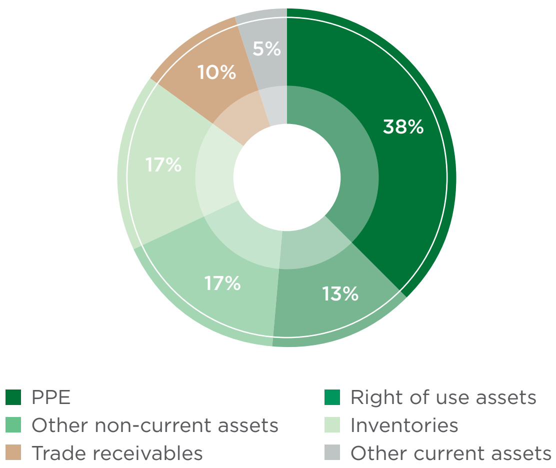
ASSET STRENGTH

Consolidated total assets expanded by 3% to reach Rs. 73.74 billion by the end of March 2024. Capital expenditure for the year totalled Rs. 4.1 billion, primarily driven by the acquisition of a PET bottling and can manufacturing plant by the Manufacturing Sector and the expansion of outlets in the Supermarket Sector. Additionally, investments in digital technology amounted to Rs. 1.2 billion, encompassing advanced data analytics and software developments tailored to business needs.

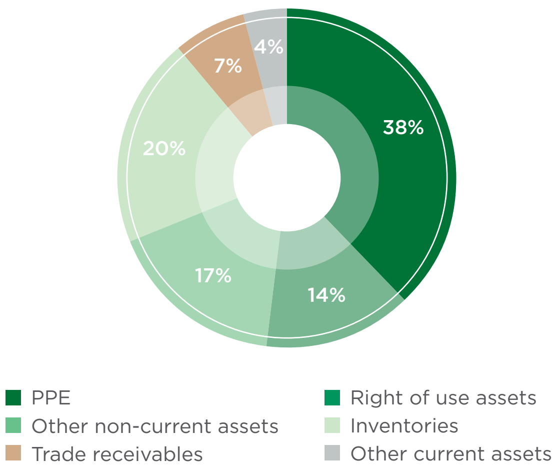
The investment in inventory levels decreased by 13%. This was facilitated by the alleviation of supply chain disruptions following the lifting of import restrictions and improvements in foreign currency liquidity. Trade receivables surged by 42%, attributed to the Group's revenue expansion and the hike in the VAT rate. The trade payables also witnessed a 22% increase, reflecting both the VAT rate hike and the normalization of credit periods.

Notably, non-current assets retained its dominance in the Group's asset composition, comprising 68% of its asset mix.

Asset Composition 2023/24



Asset Composition 2022/23



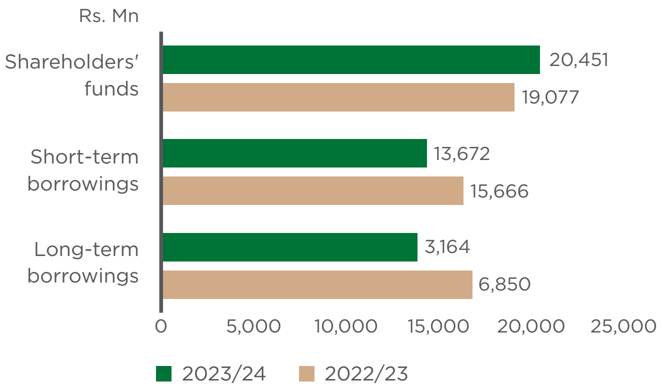
Financial Capital

FUNDING PROFILE

With a focus on enhancing cash flow and liquidity, the Group diligently reduced its borrowings to optimise finance costs. As a result, consolidated borrowing decreased by 25% to Rs. 16.84 billion by the year-end, with long-term borrowings dropping by 54% and short-term borrowings by 13%. Long-term borrowings comprised of 19% of total debt, down from 30% the previous year, showcasing a strategic shift in debt management. Notably, the Supermarket Sector represented 75% of the Group's total debt, mirroring its growth trajectory.

Benefiting from robust profit generation and retention, the Group's Shareholders' Funds expanded by 7% to Rs. 20.45 billion. This, coupled with the decline in borrowings, led to a notable improvement in its debt-to-equity ratio, standing at 82.32% as of end-March 2024, compared to 118.02% in the previous year.

Movement in Funding Profile



SHAREHOLDER RETURNS

Reflective of improved performance, Earnings per Share (EPS) surged by 36% to Rs. 3.61, while return on equity improved to 17.23% from 13.4% in the previous year. The Board recommended the payment of a final dividend of Rs. 0.89 per share, in addition to an interim dividend of Rs. 1.43 per share paid in March 2024. Consequently, the total dividend per share for the year 2023/24 stood at Rs. 2.32, a notable increase from Rs. 1.30 in 2022/23, resulting in a total payout of Rs. 2.2 billion. The Dividend per Share (DPS) amounted to Rs. 1.87 per share, compared to Rs. 1.19 per share in the previous year.

Shareholders Return Metrics	2023/24	2022/23
Earning per Share (Rs.)	3.61	2.64
Dividend per Share (Rs.)	1.87	1.19
Net Asset Value per Share (Rs.)	21.52	20.07
Return in Equity (%)	17.23	13.40
Closing Share Price (Rs.)	53.90	40.00
Price Earnings Ratio (No. of times)	14.95	15.13

Manufactured Capital

Mathugama PET bottling and can manufacturing plant

> Our Manufactured Capital is integral to our value creation process. In Manufacturing, it enables the efficient and seamless supply of an array of high-quality Frozen Confectionery and Beverage products. In Supermarkets, it facilitates island wide reach and enables the delivery of a superior retail experience to customers.

Manufactured Capital

KEY ELEMENTS OF OUR MANUFACTURED CAPITAL

MANUFACTURING SECTOR

- 4 manufacturing plants at Ranala, Kotagala, Seethawaka and Ittapana which manufacture a range of Beverages and Frozen Confectionery products.

SUPERMARKET SECTOR

- Retail footprint of 134 stores.
- 8 Extended format stores.
- State of the art distribution centre at Kerawalapitiya.

VALUE CREATED IN 2023/24

- Acquisition of a PET bottling and can manufacturing plant in Ittapana.
- Strategic deployment of technology to drive operational excellence and facilitate agility amid evolving market conditions.
- Expansion of our customer reach in the Supermarket Sector through the addition of 4 new stores. Enhanced the customer retail experience through the upgrade of 4 existing stores to Extended format stores.
- Leveraged the strength of warehousing and distribution to ensure product availability and drive operational efficiency across the value chain within the Supermarket Sector.

PLANS FOR 2024/25

- Achieve full operational status at the newly acquired PET bottling and can manufacturing plant.
- Expand our customer reach in the Supermarket segment through the addition of new outlets.
- Leverage technology to enhance our value creation.
- Capacity expansion and driving operational excellence at production locations.

Our contribution to the SDGs

The Group invested Rs. 4.1 Bn in its Manufactured Capital during the year, with 43% invested in the Manufacturing segment. Accordingly, property, plant and equipment accounted for 38% of the Group's total assets as at end-March 2024 (end-March 2023: 38%).

Key investments during the year in the Manufacturing and Supermarket segments include,

MANUFACTURING

- Acquisition of a Beverage canning and PET bottling and can manufacturing plant in Ittapana.
- Increased the manufacturing capacity of the 250ml PET bottle CSD range with the acquisition of Ittapana facility.
- Developed capabilities for the manufacture of ice pops in Frozen Confectionery.
- Upgraded the canteen facilities for staff under the 'Ambience of Workplace' initiative in Ranala Factory.
- Deployment of Freezers to distributors of the Frozen Confectionery.

SUPERMARKET

- Addition of 4 new outlets.
- Upgraded 4 existing outlets to Extended format stores.
- Upgraded the hot kitchen facilities at 2 retail outlets in line with the sector's expansion of its hot food offering.

ACQUISITION OF PET BOTTLING AND CAN MANUFACTURING PLANT

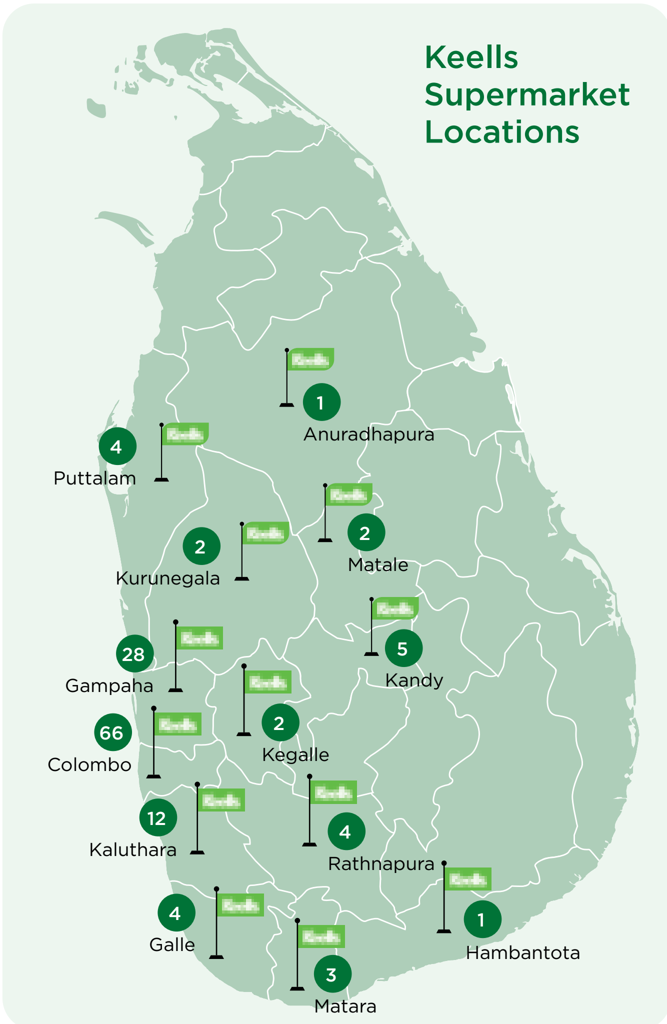
In cognisance of the potential for beverage cans given its convenience, portability, environmental friendliness, and capacity to maintain beverage freshness over extended periods, the Manufacturing Sector acquired a PET bottling and can manufacturing plant during the year. Located in Ittapana, the plant possesses capabilities for both can and PET bottle production with a capacity of 5,000 cans and PET bottles per hour. The plant will enable the Manufacturing Sector to fulfill its production requirements for both local and export markets internally. SLAS and ISO 9001:2015 accreditation has been initiated for the production facility.

Mathugama can line

SUPERMARKET FOOTPRINT

The Supermarket Sector continued to expand its geographical reach, adding 4 new outlets during the year, increasing its total footprint to 134 outlets as at end-2023/24. Ongoing efforts to elevate the retail experience of our customers included the upgrading of 4 existing outlets to Extended format stores. Extended format stores offer an enhanced retail experience to consumers through the incorporation of best-in-class retail technology including "scan-and-go" systems and self-checkout counters, a wider product range, and additional features including in-store cafés, and beverage and pizza counters.

In line with its strategy to expand its hot food offering at outlets, the Supermarket Sector upgraded its hot kitchen facilities at 2 outlets enabling the preparation of a wider range of hot food while maintaining consistency and quality. Currently 13 stores are equipped with seating arrangements.



Manufactured Capital

LOGISTICS AND WAREHOUSING

The Supermarket Sector's state-of-the-art distribution centre operationalised in last year continued to play an integral role in facilitating product availability and minimising out-of-stock rates at supermarkets during the year. Strategic emphasis was placed on streamlining the distribution centre's operations with prevailing market conditions and included enhancing staff productivity through training and development, improvements to route planning and optimisation of delivery schedules, inventory levels and operational hours. During the year, the centralisation of SKUs in the chilled category was increased to 45%. The Supermarket Sector also initiated ISO 9001:2015 Quality Management Systems and ISO 45001:2018 Occupational Health and Safety Systems accreditation in line with its commitment to operational excellence and safeguarding the health and safety of its team.

Ongoing efforts to enhance the sustainability of its operations included the introduction of reusable wrapping belts to secure goods stored on palettes at elevated storage positions, thereby eliminating the use of shrink wrap. This resulted in a 13% decline in shrink wrap usage at the distribution centre during the year.

The Supermarket Sector's distribution centre represents a 260,000 sqft warehousing facility which holds almost 90% of its inventory across dry, fresh and chilled categories (except the frozen range) and features a range of environmentally friendly design aspects including solar power generation, rainwater harvesting and responsible water disposal.

During the year, the Supermarket Sector also constructed a fuel storage facility to facilitate continues supply of fuel to transporters.

DIGITAL INFRASTRUCTURE

The CCS Group continued to strategically deploy digital platforms to streamline operations, increase productivity, facilitate efficient supply chain management, and enhance the customer experience. Reliance on data analytics for decision making continued to enable a data driven approach to managing critical aspects of the business, facilitating agility amidst evolving market conditions. During the year, Group invested Rs. 1.2 billion to upgrade and develop its digital infrastructure. The Group's key digital platforms and its contribution to value creation are discussed below.

Platform		Contribution to value creation	
Supply chain management	SAP EWM	Automation of all aspects of the Distribution Centre operations enabling effective and efficient management of the supply chain in the Supermarket Sector.	Data Analytics and AI Tools drive deeper insights into all aspects of our business and facilitate the deployment of analytics use cases to enhance operational excellence and customer value creation.
	Keells Advanced Network Exchange (KANE)	Improved efficiencies in vendor management through the automation of routine processes while facilitating greater transparency in transactions.	
Distributor management	Surge - Distributor Management System	Improved the effectiveness and efficiency of the sales force through access to real-time sales information.	
	Digitalinvoice.lk	Enabled digital invoicing in the Manufacturing Sector thereby lowering distributor costs related to paper and printing.	
Creating value for customer	Octave	Richer insights into customer preferences through data analytics.	
	Visual Merchandise Solution	Enhanced retail store planning which included product placement, maximisation of space utilisation, and more effective customer engagement.	
	Best-in-class retail technology (Scan and Go technology, Self Checkout, Restaurant Management Systems)	Enabled the delivery of a unique customer experience, increased convenience and reduced workload for staff	
Creating value for our team	Keells Konnect app	Facilitated greater employee engagement through the sharing of retail promotions, staff discounts and communication.	

Platform		Contribution to value creation
Operational excellence	Batch management system	Enhanced the traceability of the product through the manufacturing process in the Manufacturing segment.
	Business Intelligence Tools	Data driven insights and more accurate sales predictions based on historical trends, and real time information.
	Workflow management system	Enhanced collaboration among staff and improved the efficiency of internal processes through the automation of routine functions.
	Order management system	Automated the store ordering process in the Supermarket Sector, increasing efficiency and accuracy.

The Supermarket Sector is exploring opportunities to leverage its data analytics capabilities to offer data services to FMCG businesses. The Keells Insights service will provide organisations in the FMCG industry, insights into evolving trends in consumer preferences, enabling these organisations to develop relevant product portfolios and targeted promotional and marketing campaigns.

DATA SECURITY

CCS Group is cognisant of its responsibility to safeguard personal data in compliance with the legislative requirements of the Personal Data Protection Act, No. 9 of 2022 and in view of the increased threat of cybercrimes. Group's data security practices are guided by the Zero Trust data security guidelines of its parent entity John Keells' Holdings PLC which is benchmarked to industry best practice. Necessary measures have been implemented to address the legislative requirements and mitigate risks associated with cybersecurity. During the year, there were no instances of data breaches, breaches of customer privacy or instances of customer data loss.

Way Forward

MANUFACTURING

- Achieve full operational status at the PET bottling and can manufacturing plant at Ittapana.
- Ongoing deployment of Advance Data Analytics to drive operational efficiency and streamline processes within the value chain.
- Ongoing emphasis on driving manufacturing efficiency and capacity enhancements at production locations.
- Enhance the work environment of our team through the 'Ambience of Workplace' initiative.

SUPERMARKET

- Expand our customer reach in the Supermarket Sector through the addition of new outlets and Extended format stores.
- Ongoing efforts to enhance the operational efficiency and sustainability of the Distribution Centre.
- Leverage technology to drive operational efficiency and enhance the retail experience for customers.

Human Capital

> Our success and resilience are propelled by our dedicated team of 7,357 employees who are committed to achieving our strategic objectives despite a myriad of challenges. We, in turn, offer our employees a dynamic and challenging workplace that celebrates diversity, provides opportunities for growth, and safeguards mental and physical well-being.

KEY ELEMENTS OF OUR HUMAN CAPITAL

MANUFACTURING SECTOR

- 1,039 employees operating at 4 manufacturing plants, the Head Office in Colombo and across the distribution network.

SUPERMARKET SECTOR

- 6,318 employees serving across our supermarket network, collection centres, warehouse and at the Head Office in Colombo.

VALUE CREATED IN 2023/24

- Strengthened recruitment and retention strategies to attract, engage and retain high performing talent.
- Fostered a sense of community and well-being through the construction of a new, modern canteen facility for our team at the Ranala factory.
- Ongoing emphasis on enhancing the skills and competencies of staff while creating opportunities for growth.
- Continued focus on fostering a diverse, inclusive and gender balanced workforce.
- Focus on safeguarding the physical and mental well-being of our team.

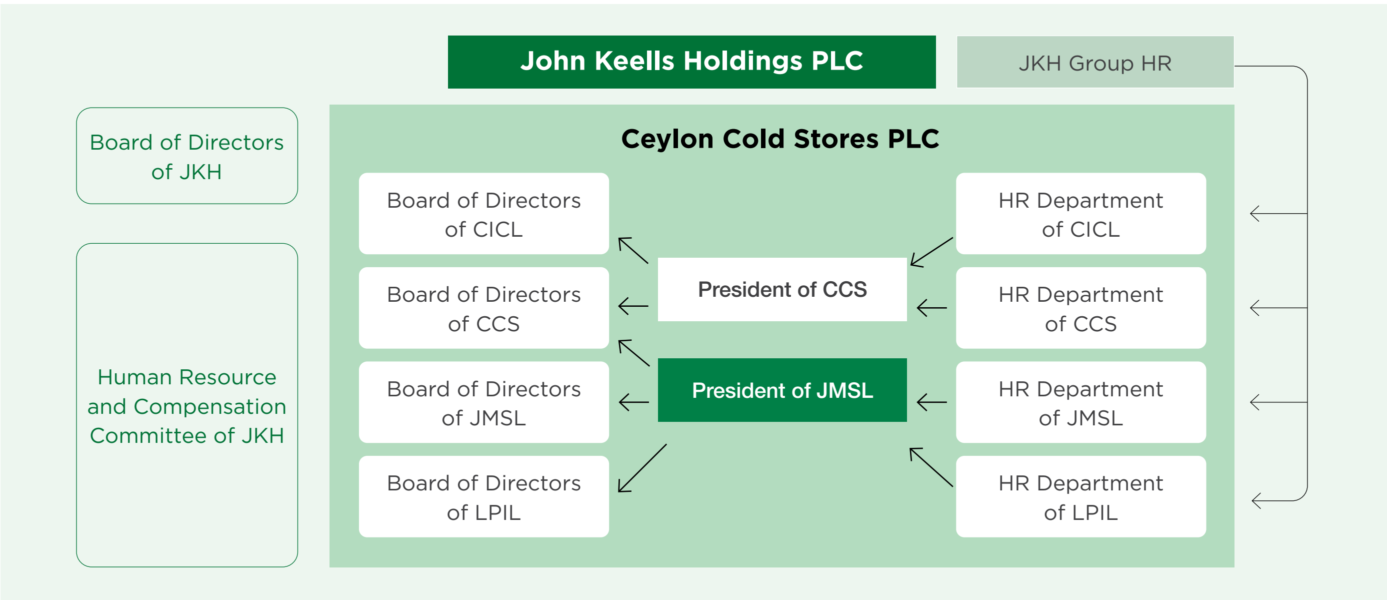
Our contribution to the SDGs

PLANS FOR 2024/25

- Strengthen our employer branding to attract, retain and engage high-performing talent.
- Ongoing focus on adopting a more decentralised approach to the HR function in the Supermarket Sector.
- Nurture a corporate culture that is aligned with organisational core values.
- Continued emphasis on the physical and mental well-being of our employees.
- Foster a culture of diversity and inclusivity at the workplace.
- Leverage technology to enhance the Group's HR strategy.

GOVERNANCE STRUCTURE

CCS Group's comprehensive people management strategy is aligned to its parent entity, John Keells Holdings PLC, with consistencies in policy frameworks and procedures. The Group's 'People Promises' clearly articulate its commitment to its employees and what they can expect from being part of the CCS Group while its code of conduct guides employee behaviour in line with organisational values. The Group's HR governance structure is given below.



Human Capital

DURING THE YEAR,

- CCS implemented several training programs regarding data protection and confidentiality under the purview of the John Keells Group HR department, to align its HR policies, processes, and procedures with the Personal Data Protection Act No. 9 of 2022 which came into effect in March 2022.
- Revisions were also made to the recruitment policy to enhance diversity, equity and inclusion (DE & I) in recruitment.
- The Supermarket Sector continued to make progress in its efforts to decentralise its HR function.

Both Manufacturing and Supermarket Sectors complied with all labour laws and legal requirements pertaining to its Human Capital and incurred no monetary losses owing to legal proceedings associated with labour law violations and employment discrimination. No incidents of discrimination were reported during the year under review. Moreover, the Group does not sanction child labour and forced/compulsory labour within its own operations and across its value chain. No incidents of child labour and forced/compulsory labour were reported during the year.

Annual Sales Conference 2023/24 - Frozen Confectionery


CCS Team Building Programmes

People Promises

MANUFACTURING

- A boss who helps me
- We live our values
- We promise exciting and rewarding jobs
- You can learn, grow and develop
- You can make a difference

SUPERMARKET

- A boss who helps me
- I can grow and develop
- I have a healthy workplace
- We live our values
- I have a future

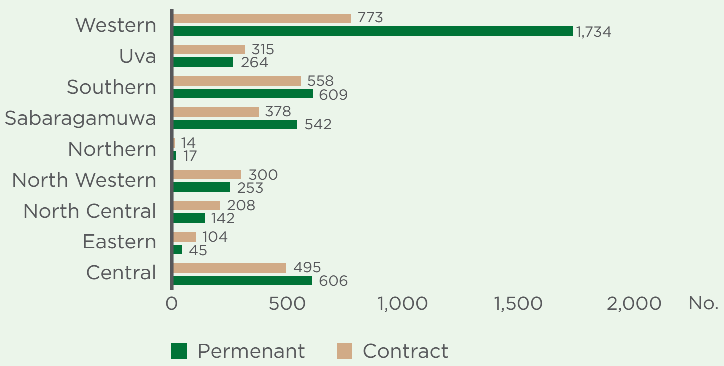
TEAM PROFILE

CCS Team

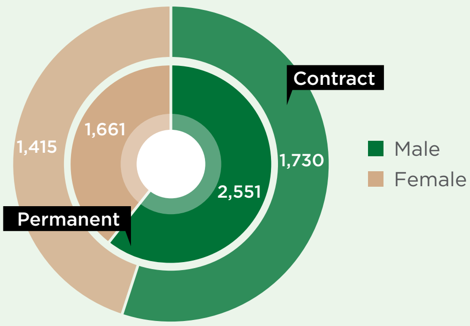
The CCS Group staff cadre comprises 7,357 employees of which 57% are employed on permanent contracts. We do not employ staff on a part-time basis. Approximately 3,145 contract staff were employed within our premises and engaged in non-core activities at production locations and offices.

REGIONAL DISTRIBUTION OF OUR TEAM

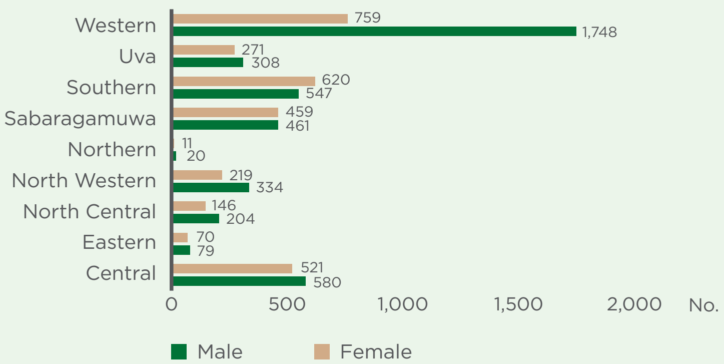
Employee by contract and region



Employees by Contract and Gender



Employees by gender and region



AGE DIVERSITY OF THE CCS GROUP

By category	30 Yrs	30-50 Yrs	>50 Yrs
AVP & Above	0.0%	0.4%	0.1%
Managers	0.1%	1.0%	0.2%
Assistant Managers	0.5%	2.0%	0.2%
Executives	6.1%	5.6%	0.3%
Non Executives	68.5%	11.9%	3.3%
Total	75.1%	20.8%	4.1%

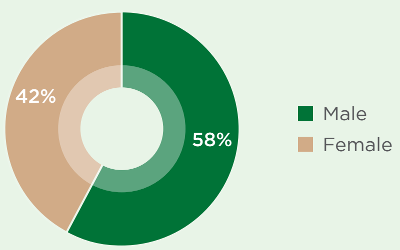
TRADE UNION REPRESENTATION

98%

of Manufacturing Sector non-executive cadre at the Ranala factory are members of trade unions

DIVERSITY, EQUITY AND INCLUSION

Female representation in the workforce



DIVERSITY, EQUITY AND INCLUSION

By category	Male	Female	% of Female Employees
AVP and above	33	7	18%
Managers	72	16	18%
Assistant Managers	158	39	20%
Executives	582	298	34%
Non-Executives	3,436	2,716	44%
Total	4,281	3,076	42%

Human Capital

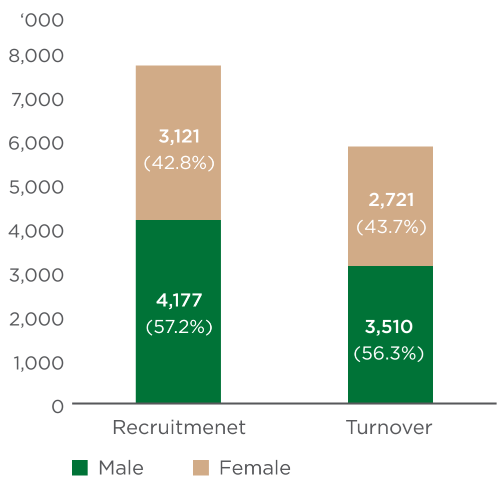
RECRUITMENT AND TURNOVER

CCS Group continued to experience an employee turnover rate higher than in previous years reflective of persistently high national labour migration trends. Accordingly, employee retention and talent acquisition were key focal areas during the year, to ensure business critical positions remained filled and operations were not disrupted. To facilitate retention, emphasis was placed on deepening staff engagement and nurturing their growth through customized training programmes and career progression plans. Priority was given to internal staff whenever vacancies arose.

The Group also focused on strengthening recruitment, partnering with educational and professional institutions to facilitate timely recruitment of the right talent. Actively seeking to strengthen its employer branding in the labour market, the Manufacturing Sector carried out a 360-degree survey among internal and external stakeholders, to ascertain their perception of the Group as an employer. Insights derived from this initiative are expected to be actioned upon in the coming year. The Manufacturing Sector also continued the Skill Fit programme to acquire young talent for entry level positions. This initiative entailed a focused training programme to bridge gaps in skills and competencies needed to assume entry level positions within the Manufacturing Sector. All of the Senior Management of the Group are Sri Lankans.

Our recruitment and turnover profile during 2023/24 is given below.

Recruitment and turnover by gender



Recruitment and turnover by region

By category	Recruitment	%	Turnover	%
Western	1,512	21%	1,405	23%
Central	1,083	15%	952	15%
Southern	1,478	20%	1,212	19%
Uva	689	10%	599	10%
Sabaragamuwa	1,058	14%	907	15%
North Western	701	10%	581	9%
North Central	512	7%	385	6%
Northern	25	0%	20	0%
Eastern	240	3%	170	3%

Recruitment and turnover by age

By category	Recruitment	%	Turnover	%
Under 30 years	7,053	97%	5,850	94%
30-50 years	241	3%	368	6%
Over 50 years	4	0%	13	0%

PEOPLE STRATEGY IN 2023/24

Talent
To attract and retain the right talents to grow our business.

Capabilities
To develop individuals in terms of competencies to deliver business excellence.

Culture
To create a great place to work supporting business excellence.

Welfare and well-being
To improve emotional engagement.

The Group's integration of technology for enhancement extended to its people management strategy with the implementation of a HR Dashboard in the Manufacturing Sector during the year. This initiative enabled monitoring of a range of HR related indicators, facilitating data driven insights into the effectiveness of its HR strategy and opportunities for improvement.

EMPLOYEE WELLBEING

Providing a safe and injury-free work environment for all its employees is a key strategic priority at CCS Group. Accordingly, the Group has implemented a comprehensive occupational health and safety framework to safeguard all employees from workplace hazards. The framework is guided by the ISO 45001:2018 Occupational Health and Safety Management System and comprises policies and safety standards relating to workplace hazard identification and mitigation.

During the year, the Manufacturing Sector introduced the **SHE (Safety, Health and Environment) Framework,** developed in collaboration with external consultants to enhance risk identification and mitigation in the workplace.

The **SHE Houses App** was also launched, enabling the swift reporting of health and safety related risks and incidents through mobile phones and desktop computers.

The Manufacturing Sector also conducted a '**Safety Week'** in collaboration with external resource personnel, to provide employees with insights into key aspects of mental and physical well-being. These included, first aid training, fire and rescue training, raising awareness on drug addiction and non-communicable diseases and promoting the mental well-being of women.

Safety Week - Training

Human Capital

Key aspects of CCS Group's occupational health and safety framework include,

- Periodic and systematic reviews of occupational health and safety risks and hazards.
- Safety committees comprising representatives from the workforce and management that meet on a weekly basis to discuss occupational health and safety concerns and mitigating strategies.
- Ongoing identification and mitigation of occupational health and safety related risks through systematic and periodic internal audits, Gemba walks and a formalized system to record near-misses / unsafe conditions.
- External verification of the Group's occupational health and safety measures through an external audit carried out on an annual basis.
- Maintaining records of all injuries that take place at the work place, carrying out trend analysis to determine the root cause and developing remedial action. Remedial action may include additional training, raising awareness of incorrect handling of equipment and replacement of machinery among others.
- Mandatory health and safety training for new recruits prior to assuming duties on the shop floor.
- Mandatory fire training at all supermarket outlets on a bi-annual basis.
- Safety signages at all supermarket outlets and manufacturing locations.
- Self-Contained Breathing Apparatus (SCBA) unit awareness training in the Manufacturing Sector.

Health and safety related benefits provided to employees include

- Medical centre for employees at the Ranala factory.
- Annual health checkups for factory workers.
- Medical insurance for all employees for both occupational and non-occupational health related concerns.

Specific initiatives conducted to promote employee wellbeing by the Manufacturing Sector include,

- Raising awareness about the importance of a balanced diet.
- Annual health camp for all employees which included screening for non-communicable diseases.
- A BMI competition within the Frozen Confectionery category to promote healthy lifestyles.
- Re-opened the gym facilities within the CICL premises.

The Group's health and safety record for the year is presented below.

By category	Total
Occupational injuries and diseases	191
Total no. of lost days due to occupational injuries/diseases	939
Health and safety training hours	7,818

TRAINING AND DEVELOPMENT

The Group continued to facilitate the growth and development of its staff through structured and informal learning opportunities. Training needs in the context of organisational goals are identified during the mid-year and year-end performance reviews and training plans are developed for each employee accordingly.

Key training and development initiatives in 2023/24 in the Manufacturing Sector included,

- Re-launched the induction programme for new recruits.
- One-on-one meetings between department heads and HR to facilitate the structure of training programmes to meet specific training needs.
- Development of a tier-based learning and competency programme.
- Introduction of the Sales Academy for sales staff alongside field coaching and mentoring.
- Ongoing delivery of training programmes through the iLearn platform, a learning management system which enables employees to complete training at their convenience.
- Development of learning and development dashboards to monitor the delivery and completion of training.

Knowledge Hub

Launched by the Supermarket Sector, this innovative initiative is aimed at capturing and codifying the tacit knowledge of head office staff to retain it within the business. The first phase of this initiative was successfully completed for the Category Department during the year.

Training and development in the Supermarket Sector centered on reiterating its commitment to service quality. In November 2023, the Sector launched the 'Pledge for Service' initiative where each department pledged to uphold service excellence in both internal and external operations. Emphasis was placed on structuring its training and development programmes to support the career progression of its staff across different business verticals.

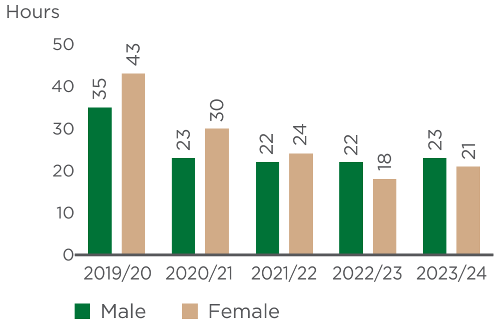
Other key initiatives during the year included the launch of the Knowledge Hub and development of a talent pool to support its business strategy of expanding the hot food offering at supermarket outlets. Accordingly, in partnership with an external training institution, employees keen on pursuing a career in retail hybrid kitchens were provided the opportunity to follow an intensive 9-month programme comprising theory and practical components, prior to given job placements within the business. 20 employees completed the course during the year while another group of 20 staff are currently in training.

Training and development focal areas in the Supermarket and Manufacturing Sectors in 2023/24 are given below,

Training programmes	
Supermarket	Continues training programmes conducted in Supermarket Sector
Manufacturing	188

Training record in 2023/24			
Average training hours by category			
Staff category	**Total head count**	**Total training hours**	**Average training hours per employee**
AVP and above	40	182	5
Manager	88	1,321	15
Assistant Manager	197	4,061	21
Executive	880	11,725	13
Non-executive	6,152	144,884	24
Total	7,357	162,173	22

Average Training Hours by Gender



INDUSTRIAL RELATIONS

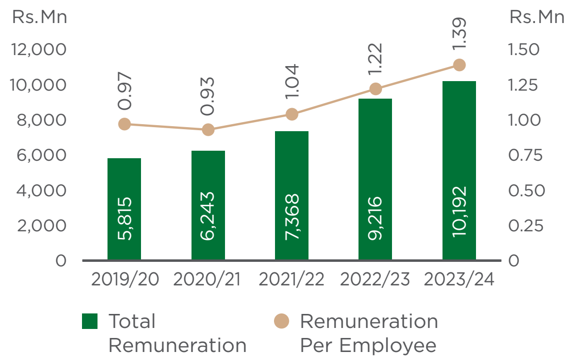
We acknowledge employees' right to freedom of expression and collective bargaining. Accordingly, 98% of CCS non-executive carder at the Ranala factory are members of the trade union while our staff in the Supermarket Sector has not sought trade union membership. The Group maintained open communication with trade unions during the year and provided a reasonable amount of notice before implementing operational changes. Consequently, cordial relations with trade unions were maintained with no disputes, work stoppages or idle days due to industrial action.

BENEFITS AND REMUNERATION

Employee rewards are determined in adherence with the Group's Remuneration Policy and ensure the fair and equitable treatment of all employees in remuneration decisions. In line with fostering a performance driven culture, all permanent employees (57% of total staff cadre) received performance appraisals during the year, while executive rewards were linked to performance outcomes as assessed at the appraisal. Remuneration of unionised employees was determined by collective agreements negotiated every three years.

In response to elevated costs, the Manufacturing Sector continued the provision of the crisis allowance during the year while the Supermarket Sector enhanced the meal and accommodation benefits for staff. Aligned with its commitment to retaining high performing and high potential talent, the Manufacturing Sector implemented salary adjustments for specific job roles.

Payment to Employees - CCS Group



Human Capital

The Group provided the following benefits to its full time employees,

Basic salary → Travelling allowance → Annual bonus → Meals → Staff coupons

Contract staff receive the same benefits with the exception of the annual bonus and travelling allowance.

'AMBIENCE IN THE WORKPLACE' INITIATIVE

The Manufacturing Sector constructed a new, modern staff canteen at the Ranala factory reiterating its commitment to fostering a sense of community and well-being.

KEELLS AWARDS

The Supermarket Sector launched the 'Keells Awards' in recognition of the extraordinary contribution of individuals and departments during the year.

DIVERSITY, EQUITY AND INCLUSION

The Group's efforts to promote a gender balanced organisation is underpinned by its HR policies for equal opportunity, anti-sexual harassment and non-discrimination. During the year, the Manufacturing Sector revised its recruitment policy to include procedures to facilitate gender balance in the recruitment process. This involved the shortlisting of at least one female for traditionally male dominated roles (provided there are female applicants) including engineering, IT and technical roles. The Group does not discriminate by gender identity, race, religion, sexual orientation, age or ability when promoting employees.

Key initiatives implemented by the Group to enhance diversity and inclusion within the workplace included.

MANUFACTURING

- Driving deeper engagement with female employees through the 'She Thinks' survey and developing action plans to address the issues raised.
- Aligning with the One JKH targets on diversity, equity and inclusion.
- Maintaining a female friendly work environment which included the provision of dry ration packs to pregnant mothers, subsidised day care facilities for children and the provision of hygiene products to female employees.
- Promoting female entrepreneurship through the 'Dinanee' programme, which encourages women to join the Frozen Confectionery category as distributors, mobile unit operators, parlour operators and sales representatives.

SUPERMARKET

- Aligning with the One JKH targets on diversity, equity and inclusion.
- Directing recruitment to facilitate gender balance where possible.
- Celebrating women through a Women's Day programme and other initiatives.
- Recognising the contribution of female employees through award schemes including 'Most Effective Female Personality' and 'She Inspires'.

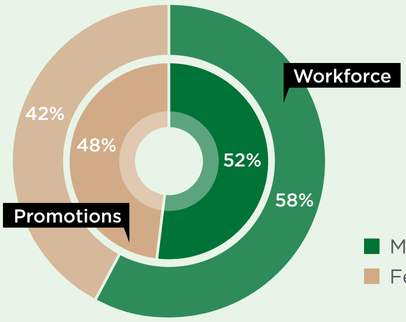
FEMALE EMPOWERED SUPERMARKET OUTLETS

Aimed at overcoming unconscious bias and challenging gender stereotypes, the Supermarket Sector transformed its outlet in Maharagama to a female empowered one. This initiative entailed staffing the outlet exclusively with women employees, showcasing their effectiveness, productivity, and overall contribution to Group performance.

The success of this initiative led to the conversion of two more outlets to female empowered ones during the year.

Diversity, Equity and Inclusivity Indicators

FEMALE REPRESENTATION



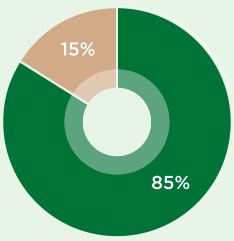
289 female employees were promoted during the year.

- Male
- Female

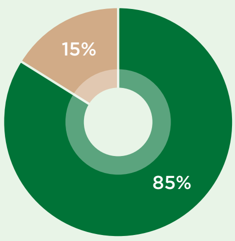
FEMALE REPRESENTATION BY CATEGORY

	Male	Female	% of Female Employees
AVP and above	33	7	18%
Managers	72	16	18%
Assistant Managers	158	39	20%
Executives	582	298	34%
Non-Executives	3,436	2,716	44%
Total	4,281	3,076	42%

MATERNITY LEAVE AND RETENTION

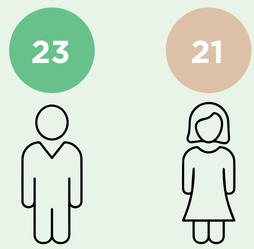


85% of female employees returned to work after maternity leave



85% of female employees retained after one year of taking maternity leave

TRAINING HOURS BY GENDER



Parental / Maternity leave by category	Parental Leave		Maternity Leave	
	Number	% of Total Workforce	Number	% of Female Workforce
Parental / Maternity leave availed	92	1.3	48	1.6
Returned to work after parental / maternity leave	82	1.1	41	1.3
Resignations after parental / maternity leave	10	0.1	7	0.2
Retained within the organisation after 12 months taking parental / maternity leave	77	1.0	41	1.3

Human Capital

Female empowered Supermarket outlets

EMPLOYEE ENGAGEMENT

We are committed to fostering a strong organisational culture that integrates our core values while empowering and inspiring our team. Accordingly, CCS has implemented a range of mechanisms to encourage open dialogue and collaboration, deepening employees' sense of belonging with the organisation.

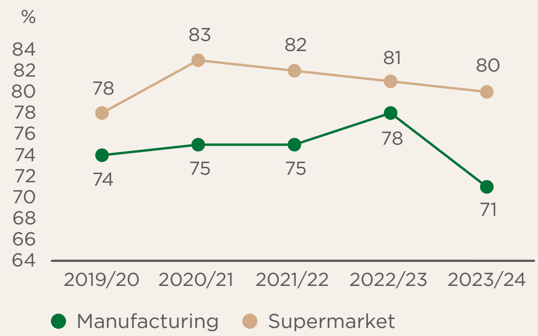
During the year, the Manufacturing Sector initiated a culture survey as an initial step towards revamping its Living Values programme. Meanwhile, the Supermarket Sector launched the 'We are One' initiative aimed at fostering a deeper relationship between head office and supermarket outlet staff. This included head office staff visits to outlets and the provision of a support connect link and QR code which staff could use to report concerns and receive a response within a day.

A summary of the key engagement initiatives carried out across the Group is given below.

EMPLOYEE ENGAGEMENT METHODS

- Open-door culture
- Frequent interactions with the leadership team
- Employee satisfaction surveys (How is everything survey, People Promises survey)
- Weekly town hall meetings
- One-on-one meetings with supervisors
- Year-round activity calendar

Trends in Employee Satisfaction



Employee satisfaction levels were maintained above 70% in both Manufacturing and Supermarket Sectors.

INTERVENTIONS

Numerous engagement programmes were carried out during the year to foster team spirit and engage employee families. These included,

- Annual sector get-together
- Outlet fun nights
- Factory visits
- Cricket carnivals
- Home gardening initiative
- Celebration of religious festivals (Vesak, Thai Pongal and New Year)

GENEXT

A knowledge competition with over 6,000 employees participating from Supermarket Sector.

LIVING VALUES PROGRAMME

An ongoing initiative within the Manufacturing Sector to recognize and appreciate employees that demonstrate the core values of the Sector. The programme was extended to the Kotagala water bottling plant during the year.

INTERNATIONAL WOMEN'S DAY

The Group conducted a Women's Day programme aimed at fostering a collaborative work environment for women that is fair, impartial and free of discrimination.

Way Forward

MANUFACTURING

- Emphasis on strengthening our employer branding to attract, retain and engage talent.
- Revamp the Living Values programme to maintain a corporate culture that is aligned with our core values.
- Deepen engagement with sales teams across the country.
- Ongoing efforts to enhance the work environment under the Ambience in Workplace initiative.
- Maintain focus on fostering a diverse and inclusive workplace in alignment with the JKH Group's diversity agenda.

SUPERMARKET

- Ongoing efforts to decentralise the HR function to enhance responsiveness to employee needs.
- Continued focus on employee well-being.
- Emphasis on fostering a diverse and inclusive work environment in alignment with the JKH Group's diversity agenda.

Intellectual Capital

Our Intellectual Capital, encompassing the value of our brands, unparalleled recipe library, R&D capabilities and organisational tacit knowledge accumulated over an operating history of over 15 decades has enabled effective identification and swift response to evolving customer preferences. This has enabled us to retain our competitive edge in a dynamic and intensely competitive market landscape.

KEY ELEMENTS OF OUR INTELLECTUAL CAPITAL

MANUFACTURING SECTOR

- Brands - Elephant House, IMORICH, Twistee, Fit-O, Wonder, Feelgood
- Recipe Library
- R&D capabilities

SUPERMARKET SECTOR

- Brand – Keells
- Nexus – Loyalty scheme offered to shoppers at supermarkets

VALUE CREATED IN 2023/24

- Retained our market position
  - The Group retained its market share across the Beverages and Frozen Confectionery categories and in the Supermarket Sector.
- Customer-centric activations to enhance top-of the mind recall of our brands.
  - Elephant House – Rs. 9 billion brand value – the 16th most valuable brand in the country (Brand Finance, 2023).
  - Elephant House Cream Soda won the SLIM Beverage Brand of the Year.
  - Keells – Rs. 17.75 billion brand value – the 2nd most valuable supermarket brand in the country (Brand Finance, 2023).
- New product development.
  - Launch of 10 new products in the Frozen Confectionery segment.
  - Launch of 1 new product in the Beverages segment.
  - Launch of seasonal limited edition products – 1L Kiri Toffee ice cream, Apple Pop and Kiwi Pop

PLANS FOR 2024/25

- Deepen brand engagement through relevant brand activations.
- Leverage the strength of our Intellectual Capital alongside data driven market insights to offer a superior value proposition to customers.

Our contribution to the SDGs

BRANDS

The iconic 'Elephant House' brand which boasts a 158 year, deep rooted heritage of quality and trust, continues to rank among Sri Lanka's most loved brands, affording the Group a competitive edge and enabling the retention of its market position despite the presence of competing global and domestic brands. Aligning with its strategy of extending its non-CSD range, efforts to develop its newer family of brands Fit-O, Twistee and IMORICH has gained traction in recent years. In 2023, 'Elephant House' was ranked the 16th most valuable brand in Sri Lanka with a brand value of Rs. 9 billion (Brand Finance, 2023).

16th most valuable brand in Sri Lanka in 2023 *(Brand Finance, 2023)*

Intellectual Capital

The Manufacturing Sector initiated numerous activations during the year focused on brand equity building. Key brand activations included,

- Thematic Avurudu Beema campaigns including TV Avurudu programmes in collaboration with Hiru TV, Swarnavahini and Sirasa TV and a market visibility drive.
- Partnerships with large event activations including Vesak, Poson, Nallur festival.
- Partnered with sports events including the Lanka Premier League and an EGB activation during the Men's Cricket World Cup.
- Cream Soda sponsorship of 'The Voice Sri Lanka', 'Derana Dreamstar' and 'Hiru Megablast'.
- Elephant House Super Hero Season 2, in collaboration with Dialog provided children with a platform to showcase their talents and innovative skills in the areas of sustainability, sports and the arts.
- 360-degree campaign across all channels for soda during the Christmas season, titled 'Enjoy the season responsibly' and included a public message advocating against drinking and driving.
- Project Green Roads which enhanced the visibility of the Elephant House corporate brand through the installation of 500 visibility boards.
- Increased trade visibility of our products through dedicated display racks at over 1,000 outlets.

In the Supermarket Sector, the Keells brand was ranked the 10^{th} most valuable brand and the 2^{nd} most valuable supermarket brand in Sri Lanka in 2023 with a brand value of Rs. 17.75 billion (Brand Finance, 2023). During the year, the Sector launched a brand building campaign titled 'Ada kohenda kanne?, Keells eken kamuda?' raising awareness and highlighting the expansion of its affordable and nutritious hot food offering at selected supermarket outlets.

Nexus, the Supermarket segment's loyalty programme, continued to play an integral role in customer retention. The scheme operates with over 2 million memberships and offers members exclusive promotions and opportunities to earn points that are redeemable against future supermarket purchases. Approximately 80% of daily footfall at Keells supermarkets hold Nexus membership.

Keells

2^{nd} most valuable supermarket in Sri Lanka (Brand Finance, 2023)

Elephant House	Keells
16^{th} most valuable brand in Sri Lanka (Brand Finance, 2023)	10^{th} most valuable brand in Sri Lanka (Brand Finance 2023)
Elephant House Cream Soda - Beverage brand of the year	2^{nd} most valuable supermarket brand in Sri Lanka (Brand Finance, 2023)
	7^{th} strongest brand in Sri Lanka (Brand Finance, 2023)

RECIPE LIBRARY

The Manufacturing Sector boasts an array of Beverage and Frozen Confectionery products that cater to a variety of consumer preferences across different occasions. Deep market insights, R&D capabilities, partnerships with a multitude of flavour and ingredient houses, and our unique tacit knowledge has facilitated the development of an extensive library of Beverage and Frozen Confectionery recipes. This has enabled us to remain relevant despite evolving consumer preferences and tastes and retain our market position despite strong competition.

Our Research and Development Team

RESEARCH AND DEVELOPMENT CAPABILITIES

The Manufacturing Sector's research and development capabilities have played a vital role in driving innovation and enabling the Sector's agility in adapting to evolving consumer tastes. A strong emphasis on new product development has enabled the evolution of our product portfolio to align with changes in consumer preferences, fulfilling our customer promise of choice. Our new product development process is as below.

11 New products

4 Prototype development

5 Focus groups studies

3 **Supervised by the NPD team**

A cross functional team oversees all aspects of the development process.

6 Reformulation based on feedback

2 Product pipeline development

7 Commercialisation

1 **Market insights**

Market insights from a multitude of stakeholders including customers, flavour houses, ingredient suppliers and research agencies.

OUR PRODUCT PORTFOLIO

BEVERAGES

- Carbonated Soft Drinks (CSD)
- Water
- Fruit drinks
- Fruit flavoured tea
- Flavoured milk

FROZEN CONFECTIONERY

- Bulk Ice Cream
- Impulse Ice Cream
- Waffle Cones
- Ice Cubes
- Frozen Yoghurt
- Ice Pops

Intellectual Capital

INNOVATION TIMELINE

2019/20

Introduced,

- Launched 2 products under kids range.
- New flavours for IMORICH cones (Black Forest, Cookie Cream)
- Plain standardized milk

2020/21

Introduced,

- New flavours in the CSD range (Cream Soda, Apple Pop)
- New flavours in the IMORICH ice cream range (Salted Caramel)
- New flavours in the IMORICH cone range (Blueberry Cheesecake, Almond Crunch)
- New flavours in the ice cream range (Mixed Fruit)
- Expanded kids' stick range (Batman Choco Knight and Flash Cotton Candy)
- Value added cups
- Wonder bar – multi pack

2021/22

Introduced,

- Frozen yoghurt (Mango and Mixed Berry)
- Low sugar ice cream (Vanilla, Chocolate)
- 2 Multi packs
- 2 Bar variants (Vanilla and Mixed Fruit)

2022/23

Introduced,

- Dry product range – waffle cones
- Reformulated Fit-O, the fruit juice line in taste and texture.
- Launch of 2 seasonal limited edition beverage flavours – apple pop and kiwi pop

2023/24

Introduced,

- Launch of seasonal limited edition products - 1L Kiri Toffee ice cream, Apple Pop and Kiwi Pop.
- Fusion range in 4 varieties.
- IMORICH multi-packs.
- 4 flavours of water "ice pops".
- Relaunch of Faluda Cones & Pani Cadju Cones
- 5L drinking water pack size.

Way Forward

MANUFACTURING

- Strengthen brand engagement through relevant brand activations across multiple channels.
- Ongoing emphasis on expanding our product portfolio in response to evolving customer preferences while fulfilling our customer promise of choice.

SUPERMARKET

- Emphasis on strengthening our brand engagement through relevant activations.
- Leverage the strength of its Intellectual Capital alongside data driven insights to offer a superior value proposition to customers.

Social and Relationship Capital

A farmer from Keells Govi Diri Programme

Our Social and Relationship Capital embodies the partnerships we have nurtured within our distribution channels, supply chains and communities. These relationships are integral to realising our strategic goals and fostering mutual value creation.

Social and Relationship Capital

KEY ELEMENTS OF OUR SOCIAL AND RELATIONSHIP CAPITAL

MANUFACTURING SECTOR

- 1,314 Suppliers
- 9,075 Farmers
- 204 Distributors
- Over 100,000 Retailers

SUPERMARKET SECTOR

- 1,448 Suppliers
- 61 Private label manufacturers
- 268 GAP certified farmers
- 40 GMP certified suppliers
- 134 Retail outlets
- 1,804 Farmers

VALUE CREATED IN 2023/24

- Customer value creation
  - Responded to customers' affordability concerns through value-driven offerings.
  - Extended the product range to include canned beverages and 10 new Frozen Confectionery products.
  - Redefined the retail experience through the introduction of an extensive range of bakery, hot food and pizza options at supermarkets.
- A resilient and sustainable value chain
  - Rs. 122 billion payments to suppliers.
  - Promoted climate resilient agricultural practices among 536 farmers.
  - Collaborative relationship with channel partners.
- Empowering communities
  - Supported the well-being of over 2,538 children through school meal programmes.
  - Rs. 42 million invested in CSR initiatives.
  - Over 7,860 beneficiaries from the CSR activities.

PLANS FOR 2024/25

- Offer customers an extensive product range in Manufacturing and a superior shopping experience in Supermarkets while maintaining emphasis on affordability.
- Enhance the resilience and sustainability of our supply chain.
- Collaborative partnerships with channel partners
- Support our local communities.

Our contribution to the SDGs

School Meal Programme

Stationary Donation Project

CUSTOMER RELATIONSHIPS

Our 'Customer Promises' clearly articulate the multi-faceted value proposition we offer our customers, and have been tailored to meet the unique needs of the industries we operate in. Formalising our customer value proposition in this manner has helped to guide our strategic endeavours towards delivering products and service that effectively address the evolving needs of our customers amidst dynamic market conditions.

Manufacturing Sector

Customer Profile: Consumers of our Beverages and Frozen Confectionery products

#1 CUSTOMER PROMISE

We promise a quality product.

We comply with a range of internal quality standards and external certifications including ISO 9001:2015, ISO 22000:2005, SLS 223:2017 and SLS193:2013 among others.

Progress in 2023/24

- SLS and ISO 9001:2015 Quality Management Systems accreditation has been initiated for the newly acquired PET bottling and can manufacturing plant at Ittapana.
- An initiative was also launched to improve the carbonation and its retention for the CSD range in the Beverages category.

#2 CUSTOMER PROMISE

We promise to deliver choice.

We continue to evolve our product portfolio in both beverages and frozen confectionery segments, aligned with changes in consumer needs.

Progress in 2023/24

- Purchase of Ittapana PET bottling and can manufacturing facility to expand the business into canned beverages and to increase the PET bottling capacity.
- Launched 11 new products and 3 seasonal limited-edition products in the Frozen Confectionery and Beverage category.

#3 CUSTOMER PROMISE

We promise to deliver products at the right price.

We sought to make our products affordable to the increasingly price conscious consumer.

Progress in 2023/24

- While the Maximum Retail Price (MRP) on our 1L and 1.5L CSD range was lowered during the first quarter of the year to facilitate affordability, increase in tax on imported sugar, excise duty and VAT led to an inevitable price increase by the fourth quarter.
- Expanded the production and availability of the 250ml PET bottles in the CSD range enhancing its affordability.

#4 CUSTOMER PROMISE

We promise to make our products accessible and available.

Our products are distributed to over 100,000 retailers island wide through 204 distributors.

Progress in 2023/24

- Data-driven strategic initiatives to enhance our value proposition for downstream partners to facilitate the island-wide distribution of our products.

Social and Relationship Capital

Supermarket Sector

Customer Profile: Customers that patronise our retail stores

#1 CUSTOMER PROMISE

Enjoyable shopping

The design and structure of stores have been carefully determined to ensure a unique retail experience to our customers, as attested by consistent improvements in customer satisfaction levels.

Progress in 2023/24

- Upgraded four existing stores to Extended format stores.
- Expanded the hot kitchen offering at 2 outlets.
- Expanded the availability of self-checkout counters to 12 outlets to offer greater convenience to customers.

#3 CUSTOMER PROMISE

Freshness

We offer a "freshness guarantee" ensuring that products obtained from our supermarkets are the freshest in the marketplace.

Progress in 2023/24

- Direct sourcing of fresh produce from farmers through our collection centres.
- Sourced high quality fresh produce from farmers participating in the Keells Govi Diri programme.
- Leveraged our centralised warehousing capability to optimise freshness by maintaining proper storage conditions and minimising transit times.

#5 CUSTOMER PROMISE

Staff is great

We offer ongoing training to staff on customer service to provide an unmatched experience.

Progress in 2023/24

- Formalised our commitment to delivering exceptional service through the 'Service Pledge'.
- Ongoing training of staff - 12,761 employees were provided customer service-related training during the year.

#2 CUSTOMER PROMISE

I get what I want

Our stores feature adequate space between aisles and tri-lingual signage boards in all aisles.

Progress in 2023/24

- Leveraged data analytics and centralised distribution capabilities to facilitate product availability across our supermarket network.
- Utilised data analytics to optimise our product range at each outlet to deliver a range of products that met the specific needs of consumers at each location.

#4 CUSTOMER PROMISE

Offers and deals

We aim to offer the best deals and prices in the market through on-going promotions and attractive offers.

Progress in 2023/24

- Emphasis was placed on enhancing price competitiveness to address customers' concerns on affordability. This included,
  - Expanding the product range directly imported, enabling us to offer a range of products at the lowest price in the market.
  - Offering over 700 SKUs at promotional prices during the year.
  - Revamping the fish supply chain to increase price competitiveness.
  - Enhancing the price competitiveness of fresh produce.
  - Pricing the private label product range at prices 10% lower than market prices.
  - Maintaining an affordable bakery and hot food product range.

#6 CUSTOMER PROMISE

Money's worth

Value for money is one of our key brand attributes and we strive to ensure that the prices we offer are among the most competitive in the market.

Progress in 2023/24

- Expanded our private label range with the addition of 71 new product lines (including reactivations), increasing the range to 320 products in total.

Elevating our hot food offering

The Supermarket Sector continued to redefine the Sri Lankan supermarket experience through the elevation of its hot food offering. We introduced a diverse selection of bakery, prepared meal and pizza options catering to varying taste preferences. These were available for breakfast, lunch and dinner across 68 stores. Selected outlets also offer an in-store dining experience. All food items are freshly prepared in-store, ensuring quality and freshness. Emphasis was placed on providing wholesome, nutritious meals at affordable prices, providing price conscious customers with a tasty, dining-out experience.

Customer health and safety

The Beverages and Frozen Confectionery categories are governed by the Food Act No. 26 of 1980 and the flavouring substances and flavour enhancing guidelines prescribed by the Food Advisory Committee of the Ministry of Health. During the year there were no incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services.

The Group's approach to safeguarding the health and safety of customers is guided by the standards and procedures prescribed by the ISO 9001:2015 and ISO 22000:2018 certifications. Procedures have been implemented at critical points of the production process to ensure the absence of microbiological, chemical and physical hazards. A customer complaint hotline has been established and a dedicated Compliance Manager has been assigned to address any complaints. The Group assesses 100% of its products and service categories for health and safety impacts. No material issues relating to customer health and safety arose during the year under review.

Marketing and labelling

Product labelling and marketing communications are governed by the Food (Labelling and Advertising) Regulation of 2005. Information required to be disclosed includes date of manufacture and expiry, complete list of ingredients and instructions for storage. During the year there were no incidents of non-compliance with regulations and voluntary codes concerning the product and service information and labelling and marketing communications. Product and service information, and labelling and marketing communications are made in all three languages whenever possible.

Marketing communications in both Manufacturing and Supermarket Sectors are aimed at general audiences and do not target children. Further, we adhere to the advertising ethics and guidelines prescribed by John Keells Holdings PLC when incorporating children into our marketing communications. These guidelines are benchmarked to industry best practice and ensure their respectful portrayal.

Keells Outlet: Organized, Efficient and Fresh

Social and Relationship Capital

CHANNEL PARTNERS

The Manufacturing Sector's extensive network of over 204 distributors is integral to facilitating its customer reach by enabling the distribution of its products across the country. The Group leveraged technology to enhance its value creation for its channel partners, deploying data analytics to gain insights into their performance, improve their efficiency and pinpoint specific areas that required additional support. Key initiatives implemented during the year to support our distributor network in Beverages and Frozen Confectionery included,

BEVERAGES | **FROZEN CONFECTIONERY**

Sector 1,500 programme

This initiative supported small and medium modern trade outlets through investments in promotional material, loyalty packages and deployment of merchandising equipment.

- Developed exclusive contracts with 107 outlets and promoted forward contracts at attractive margins.
- Enhanced greater engagement with our distributor network by assigning a member of the sales team for each channel within their respective geographical areas.
- Profitability monitoring and margin correction support to ensure the viability of their business.

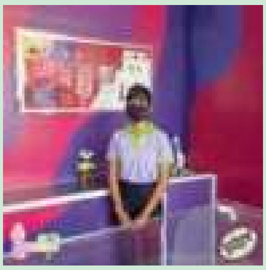
- Provision of 500 name boards to retail outlets under the Project Green Roads initiative.
- Ongoing support through the Jeewaya initiative which included deeper engagement and loyalty schemes with attractive discounts.
- Cold chain support through the deployment of 635 freezers to the market.

26
New distributors added during the year

Reaching over **100,000** retail outlets

Our distributor management system, Surge continued to support our value creation for distributors facilitating performance monitoring through real-time performance dashboards, real-time approval of discounts and the tracking of coaching activities extended to distributors. This platform has also enhanced our analytical capabilities, facilitating the data sets and data pipelines required for the implementation of data analytics use cases.

"Dinannee" Programme



The Frozen Confectionery category (Manufacturing Sector) continued to support women's empowerment and livelihood development through the provision of direct or indirect employment opportunities to women in sales and distribution and sourcing of inputs required for ice cream production and sales. The programme operates in Colombo, Gampaha, Kalutara, Ambalangoda, Kandy, Kegalle and Polonnaruwa.

Fostering women's empowerment and supporting livelihoods through the Dinanee programme

- **1** Distributor
- **4** Parlour outlets
- **9** Push carts
- **7** Parlour trucks

SUPPLIERS

Manufacturing Sector

Improving macro-economic conditions gradually eased the strain on our supply chains over the course of the year under review. CCS is committed to managing its supply chain ethically and sustainably. In Manufacturing, our key ingredients comprise agricultural inputs; key ingredients in Beverages include sugar, ginger and other flavours while the key ingredients in Frozen Confectionery are fresh milk, cocoa, sugar, jaggery, treacle and cashew. Given our reliance on agricultural inputs, our supply chain is vulnerable to vagaries in weather patterns and climate change, including supply deficits, declining yields, and crop failure. Therefore, we proactively monitor these trends and continuously assess and implement mitigation strategies.

To mitigate the environmental and social risks within our supply chain we have developed a diverse supplier base, identifying multiple suppliers from different regions. We have also placed strategic emphasis on developing local suppliers through capacity-building to reduce our reliance on imports. Our supplier contracts specify the minimum standards required by the Group regarding quality, environmental and social considerations and include clauses to prevent the use of child labour and forced and compulsory labour along the supply chain. Suppliers are also encouraged and supported to obtain external quality certifications including Good Manufacturing Practices (GMP) and ISO certification. Existing suppliers are subjected to annual audits to verify compliance with contractual terms including quality, environmental and social considerations. New suppliers are assessed for quality and sustainable sourcing, prior to onboarding.

Key value creation initiatives for suppliers during the year include,

- Developing a local supplier for cocoa mass sourcing and paper straw manufacturing.
- Expanding the fresh milk supplier network in Kotagala to 93 farmers and the collection of over 1,000 litres of fresh milk per day.
- Ongoing efforts to diversify our supplier base.
- Capacity building initiatives for local suppliers.

A group of ginger farmers who are suppliers for CCS

Social and Relationship Capital

Input material and supplier base	Value created through procurement	
	Volume (Kg/Litres)	Rs. Million
Vanilla (3,500 farmers through Kandy Vanilla Growers Association and islandwide farmers)	395	19.75
Kithul Jaggery (650 farmers - sourced from Agriculture Self Employment Society of Neluwa)	31,630	42.70
Treacle (215 from Waralla and Deniyaya)	89,310	29.86
Cashew nuts 1,210 farmers Nathawilluwa, Galewella, Adiyagama,Chilaw, Serukele and processed in Kuliyapitiya and Ja-Ela)	68,845	290.21
Fresh milk 3,500 suppliers from Kappetipola, Bogawanthalawa, Dickoya, Gampaha	4,032,788	823.81

Supermarket Sector

Improving macro-economic conditions have also eased the strain on the Supermarket Sector's supply chain enabling smoother sourcing and distribution of its product range. The Sector's fresh and animal produce are vulnerable to adverse weather conditions and climate change implications while its private label supply chain carries environmental risks including water consumption, waste water discharge and waste management. Consequently, the Supermarket Sector has adopted a range of initiatives to enhance resilience within its supply chain. To promote climate resilient agricultural practices among our farmer network, we have partnered with industry experts and aid agencies. We also conduct annual ethical sourcing audits for our private label suppliers to ensure compliance with quality, hygiene, health and safety standards, environmental and social regulations and our own ESG aspirations. Social considerations including preventing the use of child labour and forced / compulsory labour and protection of human rights are incorporated into the contractual terms with suppliers. Suppliers are also encouraged and supported to obtain external quality certifications including Good Manufacturing Practices (GMP) and ISO certification. Ethical sourcing audits carried out during the year identified all suppliers as compliant with our quality, social and environmental standards.

The Supermarket Sector continued to invest in creating value for its supplier through a range of initiatives during the year. These included,

- New partnerships with seafood suppliers and fish cutting operation to improve availability and affordability.
- Provided low cost working capital financing to farmers through a partnership with USAID.
- Partnered 10 new private label suppliers.
- Leveraged the Keells Advance Network Exchange (KANE) digital platform to facilitate engagement and collaboration with suppliers. Approximately 478 of our suppliers have been onboarded onto the platform as at end-March 2024.
- Ongoing digitisation of farmer engagement through the Keells Farmer Management System supported by the Market Development Facility (MDF) enabling the monitoring and forecasting of crop volumes and yields among others.
- 53 farmers completed the smallholder agro-entrepreneurship programme during the year and were trained in sustainable agricultural practices including poly mulching and insect nets to reduce the use of agrochemicals. 35 farmers were supported with greenhouses during the year.

Keells Govi Diri Programme

The Supermarket Sector launched the second phase of its Govi Diri programme, a farmer development initiative in partnership with ADB, during the year. This programme centered on building capacity and propagating sound agriculture practices among our farmers, thereby enabling us to provide high-quality fresh produce to our customers.

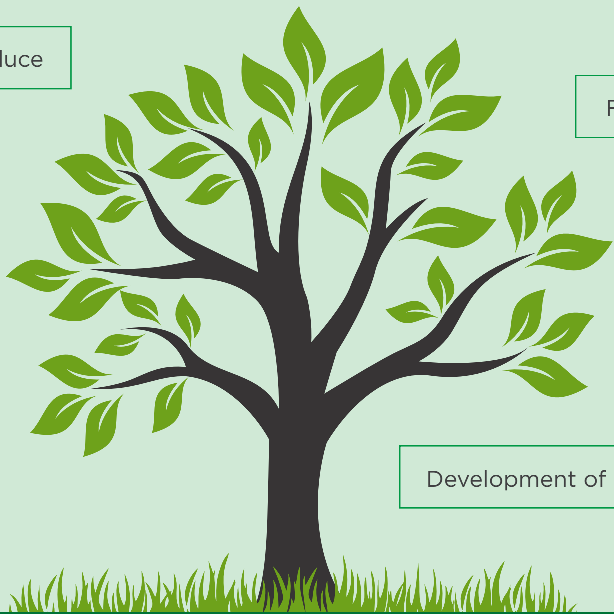
484	47%	23%
No. of participating farmers	Below the age of 40 promoting youth empowerment	Female participation promoting women empowerment

Key features of the programme

Develop capacity to grow organic produce

Enhance climate resilience through

- Minimising the use of agrochemicals.
- Promoting sustainable agricultural practices including poly mulching, and insect proof nets.
- Sustainable irrigation solutions.
- Training and knowledge transfer.
- Use of greenhouses



Financial literacy

Development of four model farms

During the year under review, the proportion of spending on local suppliers by the CCS Group amounted to Rs. 122 Bn while all of the new suppliers were screened for environmental and social impacts during the year. Additionally, 1% existing suppliers are audited based on social and environmental impacts and no supplier is at risk level or potential harmful level.

Social and Relationship Capital

INDUSTRY PARTNERSHIPS

CCS Group holds memberships in numerous industry associations enabling collaborations on a range of issues and concerns pertinent to the industry. Industry associations the Group holds memberships in are listed alongside. The Supermarket Sector also continued to share its unique organisational knowledge base in the supermarket industry by conducting training programme for the vocational trainers at NAITA, improving their capacity to impart industry relevant knowledge and skills to their students.

Industry Associations in which CCS Group holds membership

- Ceylon Chamber of Commerce
- Employers' Federation of Ceylon (EFC)
- National Chamber of Commerce
- Export Development Boards
- National Chamber of Exporters
- Sri Lanka - Maldives Bilateral Business Council
- Lanka Confectionery Manufacturers Association
- Sri Lanka Association of Testing Laboratories
- Customer Goods Forum

COMMUNITY ENGAGEMENT

The CCS Group's CSR initiatives centered on enhancing the well-being of children and supporting their growth and academic success. Both the Manufacturing and Supermarket Sectors continued their school meal programmes into 2023/24, which involved the provision of a nutritious meal to school children, which addressed their nutritional needs and positively influenced their school attendance and academic performance.

Gunadamin Pasal Diriya Initiative

Launched in 2022, the Manufacturing Sector continued the school meal programme offered to the children of Ranala Adarsha Kanishta Vidyalaya while extending it to Philip Thilakawardana School. Meals were prepared on-site in kitchens established by the Manufacturing Sector with meal specifications in line with the Government School Meal Programme under the Ministry of Education. Engagement was sought from parents for food preparation and facilitated knowledge sharing on the importance of a balanced diet for young children's growth and development.

Impact

Rs. 14 million
Invested

860
Children assisted

2
Schools

122,953
Meals provided

'A Nutritious Tomorrow for Our Little Ones'

Initiated in response to the economic crisis in 2022, the Supermarket Sector continued its crowd-funded initiative 'A Nutritious Tomorrow for Our Little Ones' into 2023/24, recognising the importance of nutrition in the growth and development of young children. The programme entailed the provision of a nutritious meal to pre-school children between the ages of 3 – 5 years and engaged the parents in meal preparation facilitating greater awareness about children's nutritional needs. Ingredients were sourced from local vendors to support the livelihood of community members. The Supermarket Sector donated one meal for every 5 meals bought by our customers while engaging large-scale donors to facilitate a more positive impact. We also partnered with "Thuru" and "Ceylon Agri" to maintain a small community garden within the pre-school premises to educate children about the origins of their food and promote sustainable sourcing.

Impact

Rs. 8.1 million
Invested

1,678
Children assisted

46 (2022/23 : 26)
Schools

139,057
Meals provided

77%
Improvement in no. of schools

'Food Redistribution Project'

Now in its 6th year, this initiative embodies our commitment to reduce waste and re-purpose it to support vulnerable communities. We collaborate with over 45 charities who support donating excess unsold fresh produce and meals from our hot food counters across 68 stores, to those in need.

Impact

119,000 Kg per month
Supplied fruits and vegetables to beneficiaries

Over **5,000**
Beneficiaries

Developing English language proficiency

Recognising the importance of English language proficiency among school aged children to broaden their horizons in higher education and employment, the Supermarket Sector launched an English language programme in collaboration with the JKH Foundation and Gateway College. 145 children in Suriyawewa, Keppetipola and Dambulla participated in the programme.

Impact

Rs. 3.6 million
Invested

145
Children assisted

Microgrant scheme

To promote greater engagement within the communities we operate in, supermarket staff were encouraged to engage with community stakeholders to identify an immediate need within the community and partner with a charity to address it. MicrograNts were extended by the Supermarket Sector to support these initiatives.

Our operations do not have significant actual and potential negative impacts on local communities. The CCS Group did not have any contracts or tenders with government institutions during the year.

Way Forward

MANUFACTURING

- Expand our product range while maintaining emphasis on affordability.
- Collaborative partnerships with channel partners.
- Ongoing emphasis on expanding the local supplier network.
- Invest in impactful CSR initiatives.

SUPERMARKET

- Simplify the shopping experience for our customers and offer a relevant and affordable product range.
- Enhance the resilience and sustainability of our supply chains.
- Collaborative partnerships with value chain partners to create shared value.
- Support our local communities.

Natural Capital

A solar powered Keells Supermarket outlet

> Our manufacturing and supermarket operations rely on natural capital inputs including water, energy and raw materials. We recognise the environmental consequences of our business activities and prioritise sustainability to minimise our environmental footprint.

KEY ELEMENTS OF OUR NATURAL CAPITAL

MANUFACTURING SECTOR

SUPERMARKET SECTOR

INPUTS

- 11,373 MT of raw materials consumed.
- 338,477 GJ energy consumed.
- 753,070 M^3 water withdrawal.

OUTPUTS

- 59,507 tCO_2e total carbon footprint.
- 163,867 M^3 of effluents.
- 5,751 MT of solid waste.

VALUE CREATED IN 2023/24

- Initiated ISO 50001:2018 Energy Management Systems accreditation at the manufacturing facility at Ranala.
- Focused on improving energy efficiency across our manufacturing and supermarket operations while maximising solar power generation.
- Increased recycling of PET bottles plastic waste through the Elephant House Gunadamin Plastic Recycling Initiative while polythene usage within our operations.
    - 726 MT (+133% y-o-y) of plastic waste collected for recycling
    - -35% in single use polythene bags.

PLANS FOR 2024/25

- Complete ISO 50001:2018 Energy Management Systems accreditation for the manufacturing facility at Ranala.
- Expand the solar power generation capacity.
- Ongoing emphasis on expanding the plastic recycling capacity of the Elephant House Gunadamin Plastic Recycling Initiative.
- Ongoing focus on reducing polythene and plastic waste within our operations.

Our contribution to the SDGs

OUR ENVIRONMENTAL COMMITMENT

According to the World Economic Forum, environmental risks remain among the key risks facing the world over the short, medium and long terms with extreme weather emerging as the foremost risk likely to trigger a material crisis on a global scale in 2024. Given our reliance on agricultural inputs which are vulnerable to shifting weather patterns and extreme weather, it is imperative that we manage our environmental impacts along the value chain to ensure business resilience. Our environmental management framework aligns with the JKH Group's Environmental Policy and includes robust mechanisms to measure our environmental impacts including energy consumption, energy intensity, water intensity and quality and quantity of effluents and waste. We complied with all environmental laws and regulations during the year and were not subject to any fines or penalties. Our approach to managing our environmental impacts and key priority areas are presented below.

Impacts on our operations

- Implications of climate change on our supply chains.
- Water scarcity.
- Potential implications on input cost.
- Interruptions to energy supply.

Key environmental impacts

- Energy consumption and generation of emissions.
- Plastic and polythene usage.
- Water consumption.

Our priorities

- Reducing our carbon footprint through solar power generation.
- Reducing polythene and plastic usage.
- Water efficiency.
- Increasing collection of plastics.

Our approach

- John Keells Group Environmental Policy.
- Earthcheck benchmarks to compare sustainability performance on a quarterly basis.

Natural Capital

CLIMATE ACTION

CCS Group's impact on climate change stems primarily from the consumption of energy across its manufacturing, supermarket and distribution operations. Our primary sources of energy are electricity, LP gas, diesel, petrol and furnace oil.

Reflecting our commitment to managing our energy needs sustainably, the Manufacturing Sector initiated ISO 50001:2018 Energy Management accreditation at the Ranala factory during the year. This involves the development of a policy for the more efficient use of energy, establishment of targets and objectives, development of action plans to achieve the targets, measurement of results and continuous improvement. During the year, Stage 1 and 2 of the accreditation process was completed.

Additionally, the Group has implemented numerous initiatives to enhance the efficient use of energy across its operations and increase reliance on renewable energy sources. These include,

- Generation of 57,407 GJ of electricity using solar power at 107 of our supermarket outlets and distribution centre. This accounted for approximately 20% of our total electricity consumption in 2023/24.
- 5,169 GJ of electricity was generated through solar power at the Ranala and CICL factory, accounting for 7% of our total electricity consumption.
- Rigorous real-time monitoring of energy consumption at supermarkets and initiation of remedial action when deviations are noted.
- Optimising energy efficiency at supermarkets through the 100% use of LED lighting.
- Installation of a new, more energy efficient chilling plant at the Ranala factory.

The Group's indirect energy consumption in 2023/24, reverted to previous levels, as the CEB resumed the regular supply of electricity. Consequently, CCS Group's direct energy consumption declined, supported by a 74% decline in diesel consumption as the Group ceased reliance on internal generators for electricity generation. The Group's, LPG usage increased 17% during the year, in line with the expansion of the hot food offering in the Supermarket Sector. Meanwhile, energy intensity across both sectors improved reflective of the Group's ongoing emphasis on energy efficiency.

The Group's total carbon footprint increased 23% during the year under review. The Group's Scope 2 emissions increased in line with increased reliance on purchased electricity while Scope 1 emissions declined mirroring the reduction in the consumption of direct energy. The Group computes its carbon footprint based on the GHG Protocol published by the World Resources Institute. The Group only considers emissions generated from product distribution, product re-distribution and business air travel under Scope 3 GHG emissions. No substantial emissions of Nitrogen Oxides (NOx), Sulphur Oxides (SOx) and other hazardous air emissions took place during the year under review.

Ranala Beverage Factory

Energy performance

13.3 MW	**62,575 GJ**	**17%**	**107**
Installed capacity	of solar power generated during the year	of electricity needs fulfilled through solar energy	Supermarket outlets with solar power generation capabilities

Energy Consumption	Units	2023/24	2022/23	YoY change
Energy by type				
Renewable energy	kWh	17,382,018	13,838,810	26%
Non-renewable energy	kWh	82,760,020	68,192,037	21%
Direct energy consumption				
Diesel	Litres	415,159	1,572,423	-74%
Furnace oil	Litres	405,134	429,207	-6%
LPG	Kg	305,198	260,846	17%
Indirect energy consumption				
Purchased from CEB	Units	62,069,126	49,447,389	26%
Purchased from LECO	Units	21,151,722	13,720,942	54%
Energy intensity (Manufacturing)	GJ/1,000 Ltrs	1.012	1.026	-1%
Energy intensity (Supermarket)	GJ/Sqft	0.134	0.131	2%
Carbon Footprint				
Scope 1 GHG emissions	tCO_2e	2,783	5,323	-48%
Scope 2 GHG emissions	tCO_2e	56,724	43,055	32%
Total emissions	tCO_2e	59,507	48,378	23%
Scope 3 GHG emissions	tCO_2e	9,615	9,793	-2%
Ozone depleting substances	MT	9,857	8,385	18%
Emission intensity - Manufacturing	tCO_2e/1,000 Litres	0.164	0.157	4%
Emission intensity - Supermarket	tCO2e/Sqft	24.24	21.69	12%

Handing over E-bikes for plastic collection

Natural Capital

WATER AND EFFLUENTS

The sustainable use of water has emerged as a key sustainability concern on the backdrop of Sri Lanka's categorization as a highly water stressed nation by the Food and Agriculture Organisation (FAO). The Group's primary interaction with water is in the Manufacturing Sector as it is a key input in production and Cleaning In Place (CIP) for both Frozen Confectionery and Beverages. We conduct regular pumping tests in the deep wells located near our manufacturing facilities in accordance with regulatory requirements to ensure that water levels in neighbouring communities are not impacted by our operations. During the year our water usage increased by 9% as a result of increase in sales volume.

Water withdrawal (M^3)	2023/24	2022/23	YoY change
Ground water	372,901	297,762	25%
Municipality water	380,169	396,152	-4%
Total water withdrawn	753,070	693,914	9%
Total water consumption	227,990	147,564	55%
Water intensity-Manufacturing (Litres/1000 litres)	4,908	4,081	20%
Water intensity-Supermarket (Litres/Sqft)	0.16	0.20	-20%

Effluent discharge

The effluents generated from our manufacturing operations are treated at a state-of-the-art effluent treatment plants prior to discharge. Water quality indicators are monitored on an ongoing basis and are consistently maintained within the regulatory parameters prescribed by the Central Environmental Authority.

Water discharge (M^3)	2023/24	2022/23	YoY change
Water discharge by destination			
Municipality sewerage, drainage	191,159	212,262	-10%
ETPs and recycled	354	311	14%
To rivers, lakes after being treated	141,437	141,779	0%
Direct to rivers, lakes, wetlands, marshes	22,076	17,017	30%
Ground through soakage pits	160,470	167,675	-4%
Provided to another organisation	9,583	7,307	31%
Total water discharge	525,079	546,350	-4%

MATERIALS

The key raw materials used in the Manufacturing Sector are agricultural inputs and packaging materials. Agricultural inputs include sugar, fresh milk, vanilla, ginger, trickle, jaggery and cashews while packaging material comprise primarily PET bottles, plastic cups, plastic containers, labels, plastic caps and corrugated boxes. During the year, no recycled inputs were used in the Group's operations. The Manufacturing Sector collected and recycled 28% of PET bottles sold through the Elephant House - Gunadamin – Plastic Recycling Initiative.

Type of material	2023/24
Renewable materials	
Fresh Milk (Litres)	4,032,788
SMP (Kgs)	1,239,338
Sugar (Kgs)	7,712,236
Vegetable Fat (Kgs)	1,644,602
Whey Powder (Kgs)	215,381
Non-renewable materials	
Plastic – PET bottles	92,875,157
Plastic – Containers (PC)	13,236,941
Corrugated boxes (NO/PC)	369,886


Vanilla bean farmer of CCS

CIRCULARITY AND WASTE MANAGEMENT

CCS Group is acutely aware of the adverse environmental implications of its plastic based packing materials in the Manufacturing Sector and single-use polythene in the Supermarket Sector, and have placed strategic emphasis on minimising its consumption across its operations. We continuously evaluate our processes critically, to identify opportunities to reduce our consumption of plastic/polythene and its wastage. We have also sought to promote greater public engagement in reducing and recycling plastic/polythene through initiatives at the supermarkets and our plastic recycling programme. Our operations were also in line with the ban imposed by the Government of Sri Lanka (GoSL) on the sale of single use plastic products that came into effect from October 2023.

Plastic recycle bin

"Gunadamin" Plastic recycle project

Natural Capital

Minimising food waste within its value chain is also a key imperative for the Supermarket Sector. We leverage superior logistics capabilities to reduce wastage between farm gate and store while also partnering with numerous charities to donate unsold fresh produce and prepared food to those in need.

Initiatives implemented to minimise plastic/polythene usage and waste included,

Manufacturing Sector

Beverages

- Introduction of cans to improve the sustainability of our packaging.
- Collection and recycling of 28% of PET bottles sold through the Elephant House Gunadamin Plastic Recycling initiative.
- Use of paper straws through a partnership with a local supplier.
- Eliminate printing bills by offering digital bills for distributors.

Frozen Confectionery

- Use of paper-based packaging for our wellness range.

Supermarket Sector

Reducing the use of packing materials

- Introduction of reusable wrapping belts to secure goods stored on palettes at elevated storage positions at the distribution centre, thereby eliminating the use of shrink wrap. This resulted in a 13% decline in shrink wrap usage at the distribution centre during the year.
- Recycled promotional banners into grow bags and distributed to farmers.
- Installed 10 "trash to can" machines facilitating the collection of plastic bottles in exchange for points which can be redeemed when shopping at the outlet.
- A Rs. 6/- rebate to customers who bring their own bags.
- Use of compostable bags at fresh, meat and fish counters and for top crust bread.
- Use of paper straws at juice counters.
- Discontinuation of the sale of plastic cups/plastic straws at outlets.
- Promoting digital bills to reduce paper consumption.

Reducing food wastage

- We donate excess unsold fresh produce and prepared food to over 45 charities, thereby reducing food waste by 191,694 Kg on average per month.

Waste type and disposable method (Kg)	2023/24	2022/23	YoY change
Waste diverted from disposal			
Recycling	2,817,485	1,380,343	104%
Waste directed to disposal	2,932,849	2,851,030	3%
Total non-hazardous waste	5,750,334	4,231,373	36%

Types of waste generated (Kg)	2023/24	2022/23	YoY change
Non-hazardous waste	5,750,334	4,231,373	36%
Hazardous waste	276	549	-50%
Total waste disposed	5,750,610	4,231,922	36%

Elephant House - Gunadamin – Plastic Recycling Initiative

To actively respond to the environmental implications of our packaging material, the Manufacturing Sector expanded its PET bottle recycling initiative during the year. This was aligned with the Extended Producer Responsibility, a voluntary initiative implemented by the Central Environmental Authority and the Environment Ministry which requires producers to collect 15% of its sales of PET and High Intensity Polystyrene.

Waste collection

Numerous clean up events were organised island-wide engaging youth and local communities and raising awareness on preventing plastic pollution. These included, beach clean-ups, clean-ups after large scale events, and collections from collection bins across Colombo district.

Material Recovery Facilities (MRF)

We established 8 new MRFs during the year under review increasing the total number of MRFs to 10.

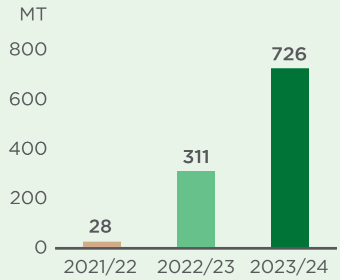
Recycling

We expanded the recycling capacity by 480 MT during the year, increasing the total recycling capacity to 720 MT.

Up-cycling

The recycled output is upcycled into cleaning equipment and clothing.

Plastic Collection



We continued to leverage collaborations with a range of partners to support our recycling initiative. These included,

Way Forward

MANUFACTURING

- Complete the ISO 50001:2018 Energy Management Systems accreditation for the manufacturing facility at Ranala.
- Expand the solar power generation capacity.
- Ongoing emphasis on expanding the plastic recycling capacity of the Elephant House Gunadamin Plastic Recycling initiative.

SUPERMARKET

- Expand the solar power generation capacity.
- Ongoing emphasis on reducing single-use polythene consumption across our operations.
- Engage the community in reducing single use polythene and paper consumption at outlets.

Way Forward

As the Sri Lankan economy follows a trajectory of recovery, we maintain a positive outlook for the coming year. While we acknowledge that significant uncertainties persist, we will continue to proactively monitor developments and adapt our strategy to capitalise on opportunities that enable us to stay relevant to the evolving needs of our stakeholders while effectively managing risk. Against this backdrop, our strategic priorities over the short and medium to long term for the Manufacturing and Supermarket Sectors are given below.

Manufacturing

SHORT TERM

- Expand customer choice through the extension of the canned Beverage range and launch of new products in Frozen Confectionery.
- Emphasis on operational excellence to enhance productivity, efficiency, and cost rationalisation.
- Leverage data analytics and digital platforms to respond swiftly to evolving market conditions.
- Ongoing emphasis on enhancing brand engagement among consumers.
- Emphasis on enhancing our employee value proposition.
- Strengthen our relationships with channel partners and suppliers thereby driving mutual value creation.
- Increase the MRF centres to 12.

MEDIUM TO LONG TERM

- Evolve our product portfolio in Beverages and Frozen Confectionery in line with market trends.
- Enhancement of capacity in the manufacturing locations.
- Invest in technology and data analytics to maintain our competitive edge.
- Expand our export markets.
- Ongoing emphasis on strengthening business resilience through sustainable business practices.
- Increase the recycling of plastic and other forms of waste material.
- Increased emphasis on its DE & I strategy to increase female representation by 2028.

Supermarkets

SHORT TERM

- Leverage data analytics to deliver relevant value propositions that cater to consumers' evolving needs.
- Expansion of our geographical footprint including Extended format stores.
- Harness our strength in data analytics to expand our B2B data services and enable more effective and targeted promotional campaigns.
- Ongoing emphasis on enhancing our employee value proposition.

MEDIUM TO LONG TERM

- Ongoing focus on evolving our value propositions to positively impact all stakeholders in alignment with our vision.
- Expand the data services offering through ongoing investments in data analytics.
- Ongoing emphasis on incorporating sustainable practices to minimise our environmental impacts.
- Focus on DE & I initiatives.

Capital Connectivity and Trade-offs

When formulating and driving our strategy, we inevitably make trade-offs in the allocation of resources and management of relationships, which over the long term leads to the nurturing, preservation and / or erosion of our capitals. A summary of the key trade-offs made during the year are listed below.

	Trade-off	Financial	Manufactured	Human	Intellectual	Social & Relationship	Natural
Sustainable Growth	Short-term impact on financial capital arising from increased capex, outlet expansion, investments in digital infrastructure and brand building activities.	↓	↑		↑		
	Increased reliance on technology to automate processes and enhance operational efficiency and productivity strengthens financial capital while reducing human capital needs over the long term.	↑		↓			
	Business expansion and its inevitable impact on the environment through increased consumption of raw materials, energy and water, and greater emission generation.	↑					↓
Fulfilling the Customer Promise	Compromise profitability margins to respond to customers' affordability.	↓				↑	
	Investments in expanding and extending the product range in Manufacturing and Supermarkets to deliver on our promise of choice to customers.	↓			↑	↑	
Empowered Team	Significant investments in creating an empowering and rewarding work environment that enhances employee retention and organisational tacit knowledge.	↓		↑	↑		
	Financial outlays to support employee well-being.	↓		↑			
	Improved customer relationships arising from better service, particularly in our Retail outlets.			↑		↑	
Managing our Value Chain	Deeper value chain partnerships improved the availability of products and increased supply chain efficiencies, thereby enhancing profitability in the long term.	↑				↑	
	Propagating climate resilient practices along the agricultural supply chains minimises adverse impacts on the environment while facilitating supply security of key inputs.	↑				↑	↑
Sustainable organisation	More sustainable packaging for beverages through the introduction of cans will reduce the adverse environmental impacts of plastic while responding to rising consumer sustainability concerns.					↑	↑
	Ongoing emphasis on reducing our environmental footprint will enhance the resilience of our business to environmental risks in the long term while resonating with customers' increasing propensity towards sustainability.	↑				↑	↑
	Meaningful community engagement through investments in impactful CSR initiatives.	↓				↑	
	Investments in plastic recycling and driving community engagement in plastic recycling efforts.	↓				↑	↑


New look
Keells

ENTERPRISE GOVERNANCE

Corporate Governance Commentary

In furtherance of CCS Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the CCS Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section that ensues discusses the key highlights for the year under review and the mandatory disclosures required under various regulatory frameworks.

EXECUTIVE SUMMARY

The John Keells Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, sustainable and transparent manner, whilst following all mandatory regulations and ensuring the highest levels of corporate governance. The Group's corporate governance philosophy is institutionalised across all its business units, and this philosophy has continuously created value for all its stakeholders, notwithstanding the external environment and macroeconomic conditions.

Ceylon Cold Stores PLC (CCS) and its subsidiaries (collectively CCS Group) has its own set of internal policies, processes and structures aimed at meeting and, where possible, exceeding accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect global best practice, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation, integrity and transparency.

In improving the quality and relevance of our governance reporting, we have sought to structure the narrative in a manner that showcases the Board's activities and contribution to value creation during the year. Compliance with applicable statutory requirements is summarised in the narrative and discussed in detail in the compliance tables.

The ensuing discussion comprises of the following key aspects:

- Significant components of the John Keells Holdings PLC (JKH) Corporate Governance System.
- Monitoring mechanisms in place to ensure strict compliance to the Group's Governance policy.
- Outlook and emerging challenges for corporate governance.
- CCS Group's compliance with all mandatory requirements of law and its voluntary adoption of recommended codes in the governance field.

COMPLIANCE SUMMARY

Mandatory Regulatory Frameworks – fully compliant
The Companies Act No. 7 of 2007 including applicable regulations
Listing Rules of the Colombo Stock Exchange (CSE), including circulars
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars
Code of Best Practices on Related Party Transactions (2013) advocated by the SEC
Voluntary Frameworks and Standards
Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka – compliant to the extent of business exigency and as required by the Group*
Reporting Frameworks
International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)
Global Reporting Initiative Standards
Internal mechanisms
Articles of Association

COMPLIANCE SUMMARY

Internal Policies

Key internal policies:

- Code of Conduct, which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies at a Board level covering nominations, Human Resource and compensation, audit and internal controls
- Policies on anti-fraud, anti-corruption, anti-money laundering and countering the financing of terrorism and bidding for contracts, including on Government contracts
- Policy on diversity, equity and inclusion, including a gender policy
- Policies on equal opportunities, non-discrimination, career management and promotions, including on employees with disabilities
- Leave (which also encompasses the equal parental leave), flexi-hours and agile working policies including health and safety enhancements and protocols
- Information Technology (IT) policies and procedures, including data protection, classification and security
- Policy on enterprise risk management
- Policy on communications and ethical advertising, complemented by social media and crisis communication guidelines
- Policies on products and services
- Recruitment and selection, rewards and recognition, and learning and development polices
- Policies on whistleblowing, grievance handling and disciplinary procedures
- Policy against sexual harassment
- Policy on forced, compulsory child labour and child protection
- Group accounting procedures and policies
- Policies on fund management and foreign exchange risk mitigation
- Insider trading policy
- Ombudsperson policy
- Group sustainability policies including policies on energy, emissions, climate risk, water, waste management and biodiversity conservation
- Supplier Code of Conduct

The Company and the CCS Group abide the policy commitments of the JKH Group. These commitments are accessible to all employees through the JKH Group's employee portal and are approved by the JKH Group Executive Committee with Board oversight. The JKH Group is currently working on making all relevant policies available in the public domain.

**CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023) in December 2023, effective from 1st April 2024. The updated Code has been reviewed and will be adopted to the extent of business exigency and as required by the CCS Group.*

CORPORATE GOVERNANCE HIGHLIGHTS FOR 2023/24

- JKH Group was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the fourth consecutive year, with a 100% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 125 companies listed on the Colombo Stock Exchange, under six different thematic areas crucial to fighting and preventing corruption– reporting on anti-corruption programmes, organizational transparency, country-by-country reporting, domestic financial reporting, reporting on gender and non-discrimination and reporting on procurement related to Government contracts and tenders.
- As a part of the JKH Group's ongoing efforts towards increasing emphasis on Environmental, Social and Governance (ESG) aspects, the JKH Group undertook initiatives to further strengthen its ESG framework and identify focus areas for each industry Group that dovetail into Group level priorities based on relevance and materiality.
    - In collaboration with an international consulting firm, the JKH Group conducted an in-depth study across Its businesses to identify areas of significant impact, risk and materiality. This initiative was led by a steering committee appointed by the JKH Group Executive Committee (GEC).

Corporate Governance Commentary

    - Workshops were convened across the industry groups to assess and formulate ESG ambitions for the respective businesses, to aid the Group in developing comprehensive roadmaps aimed at achieving the set ESG ambitions. As a part of this process, businesses were benchmarked against regional peers and best-in-class practices of the respective industries the businesses operate in.
- Data governance initiatives:
    - The JKH Data Governance Steering Committee was established to facilitate the review and enhancement of existing data governance practices of the JKH Group, in compliance with applicable laws (including the Personal Data Protection Act No 9 of 2022) and best practice. The Committee focused on revisiting internal data governance policies and engaging with the respective industry groups to review, and where relevant, facilitate the enhancement of their personal data protection processes towards ensuring a robust and more transparent data protection framework.
    - The JKH Group piloted and implemented a series of new initiatives throughout the year, to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement Continuous Controls Monitoring (CCM) and internal audit engagements.
- Cybersecurity initiatives:
    - The JKH Group engaged with a leading international consultancy firm to conduct a comprehensive assessment of the JKH Group's cybersecurity resilience, by aligning with industry best practice and recommended technological principles. This initiative was carried out to strengthen the efficiency, security and reliability of the JKH Group's cloud ecosystem to proactively manage risk.
    - As a part of the ongoing commitment towards improving cyber security and digitisation to achieve optimum operational excellence, an 'Endpoint Detection and Response (EDR)' solution was implemented across the JKH Group. A SMART Office mobile application was also rolled out across the Group to empower employees with the necessary tools to improve mobility, streamline and automate processes, and increase productivity.
    - A revised set of human resource competencies termed 'Success Drivers' were launched during the year. These 'Success Drivers' will be the cornerstone of the JKH Group's leadership development, talent attraction, and learning and development (L&D) initiatives. Nine 'Success Drivers' were identified and developed through discussions and workshops, with diverse internal stakeholder groups and will replace the previous competency framework.
    - The CCS Group strengthened its internal policy universe, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies from a holistic perspective and ensuring improved alignment in terms of its interdependencies with other related policies which have been developed over time.

KEY ANNOUNCEMENTS TO THE COLOMBO STOCK EXCHANGE IN 2023/24

- Approval for the interim dividend of Rs. 1.43 per share each in February 2024. The Board declared a final dividend of Rs. 0.89 per share in May 2024 for the financial year 2023/24. Accordingly, the dividend declared for 2023/24 is Rs. 2.32 per share [2022/23: Rs. 1.30 per share].

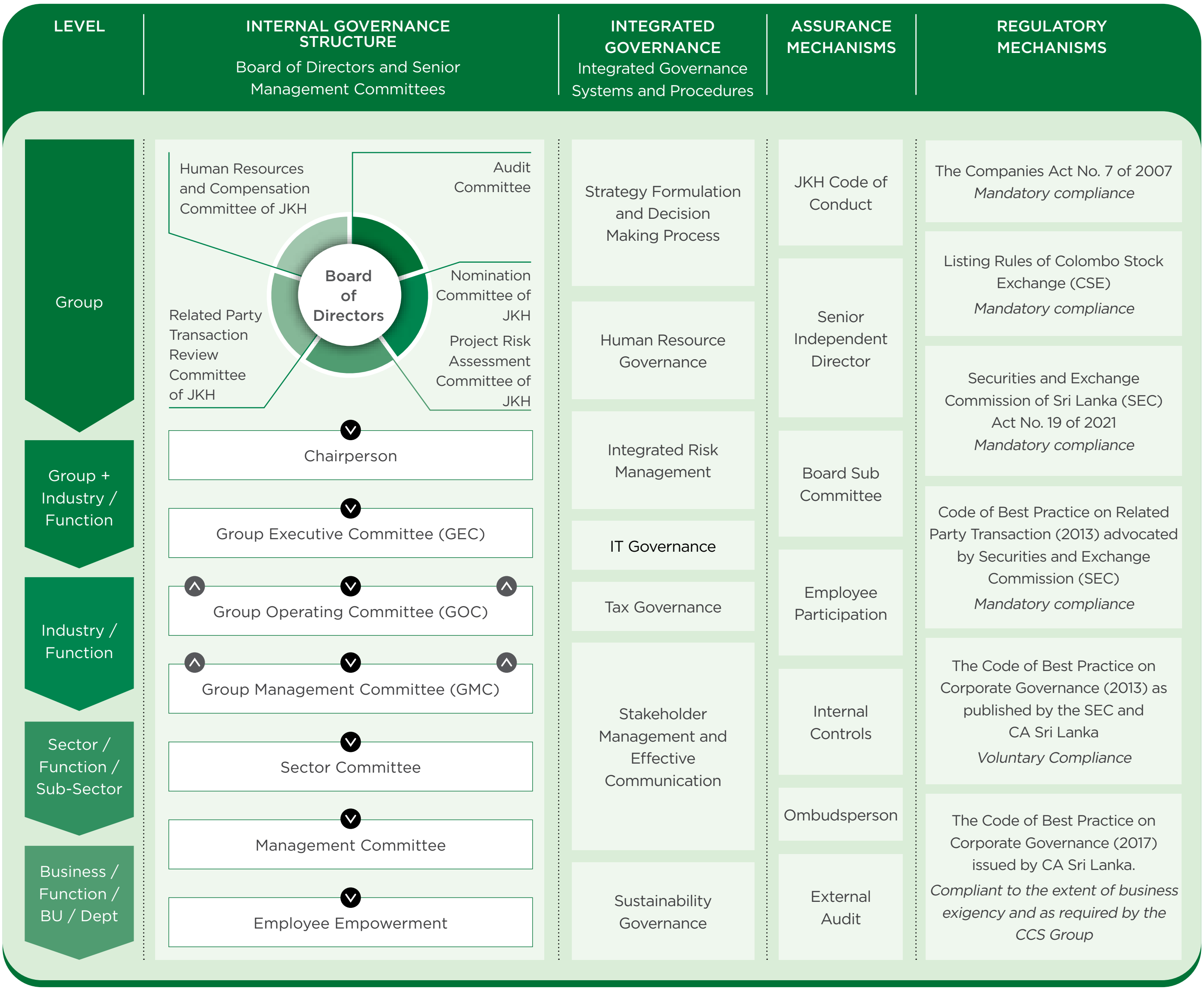
HIGHLIGHTS OF THE 126TH ANNUAL GENERAL MEETING HELD ON 26TH JUNE 2023

- Mr. D. P. Gamlath who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Mr. J G A Cooray who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Dr. (Ms) R S W Wijeratnam who attained the age of 70 years and retired in terms of Section 210 of the Companies Act No. 7 of 2007 was re-elected as a Director of the Company.
- Re-appointment of Auditors Messrs. Ernst & Young, Chartered Accountants, as the External Auditors of the Company and the Directors were authorised to determine the remuneration of E&Y.

The 127th Annual General Meeting will be held on 18th June 2024.

THE CORPORATE GOVERNANCE SYSTEM

The diagram below illustrates governance structures and policies of the Company and CCS Group conform to those of the parent company, John Keells Holdings PLC (JKH). It depicts the internal governance structure, from the Board of Directors cascading down to the employee level, the integrated governance systems and procedures of JKH, the Assurance Mechanisms in place and the various regulatory frameworks which abide by from a Governance standpoint.



- Except for the Audit Committee, the other four Boards Sub Committees of JKH, act on behalf of CCS and are chaired by Independent Directors appointed by the JKH Board. The Audit Committee is appointed by the CCS Board.
- The Chairperson is present at all Human Resources and Compensation Committee meetings unless the Chairperson's performance assessment or remuneration is under discussion. The Deputy Chairperson/Group Finance Director is invited as necessary.
- Audit Committee meetings are attended by the Presidents and Chief Financial Officers of CCS and Jaykay Marketing Services (Pvt) Ltd (JMSL) and the Head of Group Business Process Review, Internal and External Auditors are regular attendees.
- The GOC acts as the binding agent to the various businesses within the CCS Group towards identifying and extracting CCS Group synergies.
- Only the key components are depicted in the diagram.

Corporate Governance Commentary

INTERNAL GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Purpose:

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

HUMAN RESOURCES AND COMPENSATION COMMITTEE OF JKH

Purpose:

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

NOMINATIONS COMMITTEE OF JKH

Purpose:

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

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE OF JKH

Purpose:

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

PROJECT RISK ASSESSMENT COMMITTEE OF JKH

Purpose:

- To evaluate and assess risks associated with significant new investments at the initial stages of formulation and in any event prior to making any contractual commitments for the long term.

Leadership and control

Accountability through reporting obligations

CHAIRPERSON

Purpose as Chairperson:

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

Reporting obligations

Operations Management /Performance feedback

Delegated authority

MANAGEMENT COMMITTEES

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

EMPLOYEE EMPOWERMENT

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

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

THE BOARD OF DIRECTORS

Board Oversight, Functions and Responsibilities

While the Board is accountable and responsible for the strategic direction and management of the Company, it typically delegates the authority to the Chairperson and senior management to carry out day-to-day operations of the businesses. Once the Board has delegated broad authority, its primary responsibility is to oversee management's performance and ensure compliance with the broad policies and established governance principles.

Board oversight involves the continual inquiry by Directors into whether the Board's delegation of authority to management is reasonable, and whether the Board has received sufficient and accurate information from management to make that determination.

Typical areas of oversight include strategic initiatives, financial performance and the integrity of financial statements and accounting and financial reporting processes, risk management, governance and compliance and ESG matters. The Group's governance framework ensures that Directors are well-positioned to satisfy their oversight responsibility through periodic assessment of Board agenda priorities and the related structures, processes, and controls that are in place to ensure that the Board is well-informed on a timely basis of matters requiring attention.

The Board's key responsibilities include:

- Providing direction and guidance to the Group in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Group.
- Reviewing and approving annual plans and long-term business plans.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration on environmental, social and governance (ESG) factors.
- Reviewing HR processes with emphasis on top management succession planning, including the diversity, equity and inclusion (DE & I) strategy.
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework.
- Appointing and reviewing the performance of the Chairperson.
- Ensuring compliance with laws, regulations and ethical standards and monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.
- Reviewing and approving major acquisitions, disposals and capital expenditure.
- Approving any amendments to constitutional documents.
- Approving the issue of equity/debt/hybrid securities.
- Ensuring all related party transactions are compliant with statutory obligations.
- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- Ensuring all stakeholder interests are considered in corporate decisions.
- Ensuring sustainable business development in corporate strategy decisions and activities.
- Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

Board Composition

As of 31st March 2024, the Board comprised of eight Directors, with three of them being Non-Executive Independent (NED/ID), three of them being Non-Executive Non-Independent (NED/NID) and two of them being Executive Non-Independent (ED/NID).

The Group policy is to maintain a healthy balance between the Executive Directors (ED), Non- Executive Directors (NED) and Independent Directors (ID), in keeping with the applicable rules and codes, with the EDs bringing in deep knowledge of the businesses and the NED/IDs bringing in experience, objectivity and independent oversight.

There were no changes to the Board composition during the year under review.

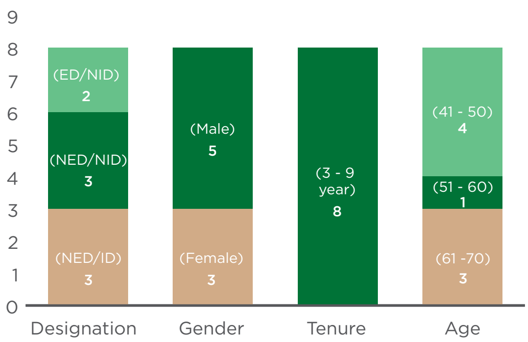
Corporate Governance Commentary

The current composition of the CCS Board is Illustrated as follows;

Name of the Director	Membership	Year of Appointment	Age	Meeting Attendance Attended/ Eligible to Attend	Tenure on the Board (Years)
Mr. K N J Balendra – Chairperson	NED/NID	2018	50	4/4	6
Mr. J G A Cooray	NED/NID	2018	47	4/4	6
Mr. K C Subasinghe	NED/NID	2021	51	4/4	3
Mr. D P Gamlath	ED/NID	2017	50	4/4	7
Ms. P N Fernando	ED/NID	2021	50	4/4	3
Mr. M Hamza	NED/ID	2015	66	2/4	9
Ms. S T Ratwatte	NED/ID	2016	64	4/4	8
Dr. (Ms.) R S W Wijeratnam	NED/ID	2016	71	4/4	8

NED/NID - Non-Executive Non-Independent Director
ED/NID - Executive Non Independent Director
NED/ID - Non-Executive Independent Director

Board Composition



The Board having noted that Dr. (Ms.) R. S. W. Wijeratnam has attained the age of 71 years and retires in terms of Section 210 of the Companies Act, has recommended the passing of ordinary resolutions at the Annual General Meeting of the Company which propose that the age limit stipulated in Section 210 of the Companies Act shall not apply to Dr. (Ms.) R. S. W. Wijeratnam and that she be re-elected as Director of the Company.

Board Skills

The CCS Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board through an annual review of its composition in order to ensure Board balance, diversity and appropriate levels of relevant skills and expertise aligned with the current and future needs of the Company and the CCS Group.

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

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

Board Access to Independent Professional Advice

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

Board Appointment

Board appointments follow a structured and formal process within the purview of the Nominations Committee. The Nominations Committee of JKH, the ultimate parent company, functions as the Nominations Committee of CCS.

The Committee has overall responsibility for making recommendations to the Board on all new appointments and for ensuring that the Board has the appropriate balance of skills. The Board considers the recommendations of the Nominations Committee for appointment or re-election by the Board and where relevant by the shareholders at the Annual General Meeting.

Details of new Director appointments are disclosed to the Colombo Stock Exchange and media at the time of their appointment through a public announcement, covering the following:

- A brief resume of the Director.
- The nature of their expertise in relevant functional areas.
- The names of companies in which the Director holds directorships or memberships in board committees.
- Whether such Director can be considered 'Independent'.

Details of such appointments are also carried in the relevant Interim Releases, the Annual Reports and Investor Relations publications.

The appointment of all Directors complies with applicable laws and rules including all qualifying and fit and proper criteria stipulated by the Listing Rules and Companies Act. Further, each Director annually signs a declaration which determines their independence based on such declaration and other information available to the Board. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

The Terms of Reference for the members of the Nominations Committee and the Committee report can be found in Nominations Committee of the Parent Company - JKH section of this Commentary.

Board Induction and Training

When Directors are newly appointed to the Board, they undergo a comprehensive induction where they are apprised, inter-alia, of the CCS Group values and culture, its operating model, policies, governance framework and processes, the Code of Conduct (which includes anti-corruption and anti-bribery) and the operational, environmental and social strategies of the CCS Group.

Additionally, the newly appointed Directors are granted access to relevant parts of the business and are given the opportunity to meet with key management personnel and other key third-party service providers such as External Auditors and Risk Consultants.

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

Re-Election

All Independent Non-Executive Directors are appointed for a period of three years and can serve up to a maximum of three successive terms, unless an extended Board tenure is necessitated by the requirements of the CCS Group. All contracts are renewed by the Board based on the recommendation of the Nominations Committee of the Parent Company - JKH.

Annually, the Board discusses the possibility of any impairment of Director independence due to extended Board tenures, and collectively evaluates the re-election of such Board members. One third of all Directors other than the Chairperson, shall retire by rotation in terms of the Articles of Association of the Company and are eligible for re-election at the annual general meeting by the shareholders.

Board Meetings

Regularity of Meetings

During the financial year under review, there were four (04) pre-scheduled Board meetings. In addition to the Board meetings, the Board of Directors communicate, as appropriate, when issues of strategic importance requiring extensive discussions arise.

Corporate Governance Commentary

The attendance at the Board meetings held during the financial year 2023/24 is given below.

Name	Year of Appointment	28.04.2023	18.07.2023	30.10.2023	29.01.2024	Eligibility	Attended
Non-Executive / Non-Independent							
Mr. K N J Balendra – Chairperson	2018	✓	✓	✓	✓	4	4
Mr. J G A Cooray	2018	✓	✓	✓	✓	4	4
Mr. K C Subasinghe	2021	✓	✓	✓	✓	4	4
Executive / Non-Independent							
Mr. D P Gamlath	2017	✓	✓	✓	✓	4	4
Ms. P N Fernando	2021	✓	✓	✓	✓	4	4
Non-Executive / Independent							
Mr. M Hamza	2015	Excused	Excused	✓	✓	4	2
Ms. S T Ratwatte	2016	✓	✓	✓	✓	4	4
Dr. (Ms.) R S W Wijeratnam	2016	✓	✓	✓	✓	4	4

Timely Supply of Information

The Directors were provided with necessary information, well in advance, by way of electronic Board papers and proposals, as relevant, for all Board meetings held during the year, in addition to the monthly and quarterly information submitted pertaining to the Group, in order to ensure robust discussion, informed deliberation and effective decision making. The Directors continue to have access to and independent contact with the corporate and senior management of the CCS Group.

Board Agenda

The Chairperson ensured that all Board proceedings were conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2023/24 entailed, discussion of matters arising from the previous minutes, submission of Board Sub-Committee reports, status updates of major projects and raising of capital, review of performance, strategy formulation, approval of quarterly and annual financial statements, review of risk, sustainability and corporate social responsibility related aspects, ratification of capital expenditure, ratification of Circular Resolutions and use of Common Seal among others. Added emphasis was also placed on business performance in lieu of the challenges stemming from the macroeconomic volatilities and uncertainties.

Board Secretary

Keells Consultants (Pvt) Limited functions as both the Secretaries and Registrars of the Company. In addition to maintaining Board minutes and Board records, the Board Secretary provides support in ensuring that the Board receives timely and accurate information in addition to advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

Time Dedicated by Non-Executive Directors

The Board has dedicated adequate time for the fulfilment of their duties as Directors of the CCS Group. In addition to attending Board meetings the Directors contributed to decision making via Circular Resolutions and one-on one meetings with key management personnel, when necessary.

Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2023/24. This formalised process of individual appraisal enabled each member to self-appraise, on an anonymous basis, the performance of the Board under the areas of:

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

The scoring and open comments are collated by the Independent Director to ensure the independent evaluation process. The results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark, reflecting the openness of the Board. This process has led to an improvement in the Board dynamics based on the evaluations and deliberations in the past, including the 2022/23 evaluation. More recent deliberations have centered around continuous enhancement on the approach to proactively managing identification of risks, business resilience and enterprise risk management, including holistic ESG related policies.

Ensuring Independence and Managing Conflicts of Interests

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

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

Prior to Appointment

- Nominees are requested to make known their various interests

Once Appointed

- Directors obtain Board clearance prior to:
  - Accepting a new position.
  - Engaging in any transaction that could create or potentially create a conflict of interest.
- All NEDs are required to notify the Chairperson of any changes to their current Board representations or interests and a new declaration is made annually.

During Board Meetings

- Directors who have an interest in a matter under discussion:
  - Excuse themselves from deliberations on the subject matter.
  - Abstain from voting on the subject matter (abstention from decisions is duly minuted).

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

No Non-Executive Independent Director has a conflict of interest as at 31st March 2024 as per the criteria for independence outlined below.

	Criteria for Defining Independence	Status of Conformity of NEDs
1.	Shareholding carrying not less than 10% of voting rights	None of the individual EDs' or NED/IDs' shareholding exceed 1%
2.	Director of another company*	None of the NED/IDs are Directors of another related party company
3.	Income/non-cash benefit equivalent to 20% of the Director's annual income excluding income/non-cash benefits received which are applicable on a uniform basis to all non-executive Directors on the Board	NED/ID income/cash benefits are less than 20% of individual Director's annual income
4.	Employment at CCS Group and/or material business relationship with CCS Group, currently or in the three years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at CCS Group or any of its subsidiaries or JKH Group
5.	Close family member is a Director or a Key Management Personnel	No family member of the EDs or NED/IDs is a Director of a related party company
6.	Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	No NED/IDs has served on the Board for more than nine years
7.	Is employed, is a Director has a material business relationship and/or significant shareholding in other companies*. Entails other companies that have significant shareholding in CCS Group and/or CCS Group has a business connection with	None of the NED/IDs are employed, are directors have a material business relationship or a significant shareholding of another related party company as defined

**Other companies in which a majority of the other Directors of the listed company are employed or are Directors, or have a significant shareholding or have a material business relationship or where the core line of business of such company is in direct conflict with the line of business of the listed company.*

Corporate Governance Commentary

Details in Respect of Directors

The following table illustrates the total number of Board seats (excluding JKH Group Board seats) held in other listed companies (outside the JKH Group) by each Director.

Name of the Director	No. of Board Seats Held in Other Listed Sri Lankan Companies	
	Executive Capacity	Non-Executive Capacity
Mr. K N J Balendra – Chairperson	Nil	Nil
Mr. J G A Cooray	Nil	Nil
Mr. D P Gamlath	Nil	Nil
Ms. P N Fernando	Nil	Nil
Mr. K C Subasinghe	Nil	Nil
Mr. M Hamza	Nil	Nil
Ms. S T Ratwatte	Nil	BPPL Holdings PLC
Dr. (Ms.) R S W Wijeratnam	Nil	Nil

Directors' Shareholding (Including the spouse)	No. of Shares as at 31st March 2024	No. of Shares as at 31st March 2023
Mr. K N J Balendra – Chairperson	**819,040**	819,040
Mr. J G A Cooray	**-**	-
Mr. K C Subasinghe	**45,000**	45,000
Mr. D P Gamlath	**-**	-
Ms. P N Fernando	**-**	-
Mr. M Hamza	**11,000**	11,000
Ms. S T Ratwatte	**26,780**	26,780
Dr. (Ms.) R S W Wijeratnam	**-**	-

Director Remuneration

Executive Director Remuneration

The Human Resources and Compensation Committee (JKH) comprising solely of Independent, Non-Executive Directors, is responsible for determining the compensation of the EDs of the of the CCS Group. The Human Resources and Compensation Committee operates in conformity with applicable rules and regulations.

Refer Human Resources and Compensation committee section of this Commentary for further details.

A significant proportion of Executive Director remuneration is variable. The variability is linked to the peer-adjusted consolidated Group bottom line and expected returns on shareholder funds. In determining remuneration, other ESG considerations, including non-financial KPIs, are also given due prominence. Further, the Human Resources and Compensation Committee consults the Chairperson about any proposals relating to the Executive Director remuneration, other than that of the Chairperson.

During the year, ESOPs, valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees from the parent company, JKH. Further details are found in the Notes to the Financial Statements section and Share Information section of this Annual Report.

Excluding ESOPs granted, total aggregate of EDs remuneration for the year under review was Rs. 203.6 million. (2022/23 - Rs. 156.8 million)

Non-Executive Director Remuneration

The compensation of NEDs is determined in reference to fees paid to other NEDs of comparable Companies, and adjusted, where necessary, in keeping with the complexity of the CCS Group.

It is noted that fees payable to Non-Executive nominees of JKH are paid to JKH and not to individual Directors.

Total aggregate of NED remuneration for the year was Rs. 11 million. (2022/23 - Rs. 9.7 million)

Compensation for Early Termination

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

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

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

BOARD SUB-COMMITTEES

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

The five (5) Board Sub-Committees are as follows:

i. Audit Committee

ii. Human Resources and Compensation Committee of the Parent Company - JKH

iii. Nominations Committee of the Parent Company - JKH

iv. Related Party Transactions Review Committee of the Parent Company - JKH

v. Project Risk Assessment Committee of the Parent Company - JKH

Out of the five Board Sub-Committees, four are mandatory, whilst the Project Risk Assessment Committee was formed voluntarily, considering the diverse nature of businesses within the JKH Group.

The Board Sub-Committees comprise predominantly of Independent Non-Executive Directors.

Corporate Governance Commentary

Audit Committee

No of meetings – Seven (07) - The Committee convened at least once every quarter.

Composition	Scope
• All members are NED/IDs, with at least one member having significant, recent, and relevant financial management and accounting experience and a professional accounting body. • The Sector President, Sector Chief Financial Officer and Head of Group Business Process Review of JKH are permanent invitees for all Committee meetings.	• Overseeing the preparation and presentation and review of the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations, prior to tabling the same for the approval of the Board of Directors. • Obtain and review assurance received from the Sector President, Sector Chief Finance Officer and other key management personnel, as relevant that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's and CCS Group's operations and finances. • Evaluate the competence and effectiveness of the risk management systems of the CCS Group and ensure the robustness and effectiveness in monitoring and controlling risks, as recommended by the internal auditors. • Review the adequacy and effectiveness of the internal and external audit arrangements. • Review the risk policies adopted by the Company on an annual basis. • Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

Audit Committee meeting attendance

The CCS Group's Audit Committee comprise three (3) Non-Executive Independent Directors.

Members	Eligible to Attend	Attended	Date of Appointment
Ms. S T Ratwatte – Chairperson	7	7	17/06/2016
Mr. M Hamza	7	7	15/05/2015
Dr. (Ms.) R S W Wijeratnam	7	7	17/06/2016
By Invitation			
Mr. D P Gamlath	7	7	
Ms. P N Fernando	7	7	

Report of the Audit Committee

Refer Audit Committee Report on page 190 to 192 of the Annual Report.

Human Resources and Compensation Committee of the Parent Company - JKH

No of meetings – One (01)

Composition	Scope
• Committee comprises exclusively of Independent Non-Executive Directors. • The Chairperson of the Committee must be Independent Non-Executive Director. • The Chairperson and Group Finance Director are invited to all Committee meetings unless the Chairperson or Executive Director remuneration is under discussion respectively. • The Deputy Chairperson/ Group Finance Director is the Secretary of the Committee	• Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the Group. • Determine and agree with the Board a framework for the remuneration of the Chairperson and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration. • Succession planning and talent management of Key Management Personnel. • Ensure the integrity of the Group's compensation and benefits programme is maintained. • Commission compensation and benefit surveys as appropriate to assist the Committee in its deliberations. • In performing these functions, to ensure that stakeholder interests are aligned and that the Group is able to attract, motivate and retain talent. • At its discretion, the Committee may invite external specialists to provide advice and information on relevant remuneration and Human Resource Development practices. • Determining compensation of Non-Executive Directors is not under the scope of this Committee.

The Human Resource and Compensation Committee meeting attendance

Members	Eligible to Attend	Attended	Date of Appointment
Mr. D A Cabraal – Chairperson	1	1	29/01/2015
Dr. (Mr.) S S H Wijayasuriya	1	1	05/11/2016
By Invitation			
Dr. (Ms.) S A Coorey	1	-	
Mr. A N Fonseka	1	1	
Mr. K N J Balendra	1	1	
Mr. J G A Cooray	1	1	

Corporate Governance Commentary

Report of the Human Resources and Compensation Committee

The Human Resource and Compensation Committee forms a key part of the governance framework of the Group and carries the mandate to oversee the compensation and benefits policies adopted by the Group, and in doing so, review and recommend overall remuneration philosophy, strategy, policies and practices and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the Chief Executive Officer (CEO), the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendation thereon to the Board of Directors. The Committee also reviews and monitors the performance of the Group's top talent for the purposes of organisational growth and succession planning, with particular emphasis on succession at key executive levels.

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, and the Group is able to attract, motivate and retain talent and ensure their loyalty; the integrity of the Group's compensation and benefits programme is maintained and importantly, that the compensation policy and schemes are compliant with applicable laws and regulations.

In this context, the Committee determined the remuneration of the Executive Directors including the Chairperson-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee (GEC) was considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

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

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

D A Cabraal

Chairperson of the Human Resources and Compensation Committee

20th May 2024

Nominations Committee of the Parent Company - JKH

No of Meetings - Three (03)

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

The Nominations Committee meeting attendance

Members	Eligible to Attend	Attended	Date of Appointment
Mr. D A Cabraal – Chairperson	3	3	07/11/2013
Dr. (Ms.) S A Coorey	1	1	08/11/2023
Ms. M P Perera*	1	1	24/07/2014
Dr. (Mr.) S S H Wijayasuriya	3	3	05/11/2016
Mr. K N J Balendra	3	3	01/01/2019

* Retired from 1st July 2023

Report of the Nominations Committee

The Nominations Committee as at 31st March 2024, consisted of the following members:

- Mr. D A Cabraal - Chairperson
- Mr. K N J Balendra
- Dr. (Mr.) S S H Wijayasuriya
- Dr. (Ms.) S A Coorey (appointed w.e.f 8th November 2023)

*Note: Ms. M P Perera resigned as a member of the Nominations Committee consequent to her resignation from the Board of John Keells Holdings PLC (JKH) on 1 July 2023.

The Nominations Committee reaffirmed its mandate to:

- Recommend to the Board the process of selecting the Chairperson and Deputy Chairperson.
- Assess the skills required for each business, based on the strategic demands to be met by JKH and other listed companies of the Group.
- Identify suitable persons to be appointed as Non-Executive Directors to the Board of JKH and make recommendations to other listed companies in the Group, taking into consideration qualifying criteria stipulated under applicable laws and rules.
- Review the structure, size, composition and skills of each Board.
- Ensure that every appointee undergoes an induction.
- Make recommendations on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to the recommendation of the Committee:

John Keells Holdings PLC

- Mr. D V R S Fernando (new appointment)

Tea Smallholder Factories PLC

- Mr. A S Jayatilleke (renewal)
- Ms. A Goonethileke (renewal)

Trans Asia Hotels PLC

- Mr. N L Gooneratne (renewal)

Union Assurance PLC

- Mr. P T Wanigasekara (new appointment)
- Mr. D H Fernando (renewal)

The Committee reports its activities at each Board Meeting.

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs of the Group. Further, the Committee discusses with the Board the outputs of the annual JKH Board evaluation.

A. Cabraal

D A Cabraal

Chairperson of the Nominations Committee

20th May 2024

Corporate Governance Commentary

Related Party Transactions Review Committee of the Parent Company - JKH

No of meetings – Four (04) - The Committee convened at least once every quarter.

Composition	Scope
• The Chairperson shall be an Independent Non-Executive Director. • Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors. • The composition may include Executive Directors at the option of the Listed Entity.	• The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE. Additionally, if a Director has personal material interest in a matter being reviewed by the committee, such Director shall not be present in the meeting and shall not vote in the matter, except at the request of the committee. • All proposed Related Party Transactions shall be reviewed in advance and in the event of any material changes, such changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction. • Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group. • Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis and formally requesting the Board to approve the related party transactions following the determination of whether such approval is needed. • Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually, such as recurrent related party transactions and similar issues relating to listed companies. • Ensure that they have, or have access to expertise to assess all aspects of proposed Related Party Transactions, and where necessary, obtain expert advice from an appropriately qualified person. • Where both the parent company and the subsidiary are Listed Entities, Related Party Transactions Review Committee of the parent company shall function as the Related Party Transactions Review Committee of the subsidiary.

The Related Party Transactions Review Committee meeting Attendance

Members	Eligible to Attend	Attended	Date of Appointment
Mr. A N Fonseka - Chairperson	4	4	29/01/2014
Mr. D A Cabraal	4	4	29/01/2014
Dr. (Ms.) S A Coorey*	2	2	01/07/2023
Mr. D V R S Fernando**	1	1	08/11/2023
Ms. M P Perera***	1	1	24/07/2014
By Invitation			
Mr. K N J Balendra	4	4	
Mr. J G A Cooray	4	3	

*Ceased to be a member with effect from 8th November 2023

**Attended by invitation on 6th November 2023

***Retired from 1st July 2023

Report of the Related Party Transactions Review Committee

Composition

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

Mr. A N Fonseka

Mr. D A Cabraal

Mr. D V R S Fernando

Ms. M P Perera – former Chairperson retired from the RPT committee with effect from 1st July 2023

Dr. (Ms.) S A Coorey – appointed to the RPT committee with effect from 1st July 2023 and resigned with effect from 8th November 2023.

The Chairperson-CEO, Deputy Chairperson/Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee. The Committee held four meetings during the financial year, which were held on a quarterly basis. Information on the attendance at these meetings by the members of the Committee is given alongside. Urgent transactions that required prior approval of the Committee were dealt with by circulation among the members.

Objective and Governing Policies

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with all applicable rules and regulations, namely the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and ensures that transactions are in line with the Groups' internal governance framework and associated policies.

Procedure

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

- there is compliance with 'The Code' and the Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

Non-recurrent Related Party Transactions (RPTs) of listed entities:

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group listed entities are submitted to the Committee, for pre-approval. Accordingly, the Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: Asian Hotels and Properties PLC, Ceylon Cold Stores PLC, John Keells PLC, John Keells Hotels PLC, Keells Food Products PLC, Tea Smallholder Factories PLC, Trans Asia Hotels PLC and Union Assurance PLC.

Recurrent RPTs of listed entities:

The Committee has endorsed guidelines to facilitate disclosures and assurances to be provided by the senior management of listed entities in the Group so as to validate compliance with Section 9.5(a) of the Listing Rules and thus exclusion from the mandate for review & pre- approval of such transactions by the Committee.

Accordingly Recurrent RPTs as well as the aforesaid disclosures & assurances were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries:

Material transactions of non-listed subsidiaries in the Group were presented to the Committee for information.

The Group continued to adopt a broader scope in defining key management personnel including therein all senior decision makers. Accordingly, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

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

A N Fonseka
Chairperson of the Related Party Transactions Review Committee
20th May 2024

Corporate Governance Commentary

Project Risk Assessment Committee of the Parent Company - JKH

No of meetings – The committee did not convene during the year

Composition	Scope
• Should comprise of a minimum of four Directors. • Must include the Chairperson and Group Finance Director. • Must include two Non-Executive Directors. • The Chairperson of the committee must be a Non-Executive Director.	• Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. • Ensure stakeholder interests are aligned, as applicable, in making this investment decision. • Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director. • Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation. • Note that the Committee shall convene only when there is a need to transact in business as per the terms of its mandate.

The Project Risk Assessment Committee meeting attendance

Members	Eligible to Attend	Attended	Date of Appointment
Dr. (Mr.) S S H Wijayasuriya - Chairperson	-	-	25/05/2018
Ms. M P Perera*	-	-	25/05/2018
Mr. K N J Balendra	-	-	25/05/2018
Mr. J G A Cooray	-	-	25/05/2018

*Retired from 1st July 2023

Report of the Project Risk Assessment Committee

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

Dr. (Mr.) S S H Wijayasuriya - Chairperson

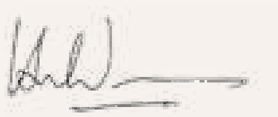
Mr. K N J Balendra

Mr. J G A Cooray

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of Risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

During the year under review, the context of Project Risk Assessment was centred on (i) The extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and (ii) The two landmark investment projects - City of Dreams Sri Lanka (formerly known as the Cinnamon Life Integrated Resort) and the West Container Terminal. Given the scale and impact of the risks and opportunities associated with the said subjects, the committee and board were of the view that related deliberations should take place with participation of the full Board as regular board agenda items.

While there were no specific new investments during the year which required Board Approval as per the Group's financial thresholds, new ventures such as the partnership with the Reliance Group on the marketing and distribution of Beverages in the Indian market, the entry into the partnership with BYD on New Energy Vehicles and the launch of the VIMAN project were a some of the key projects which were also discussed at Board level.



S S H Wijayasuriya
Chairperson of the Project Risk Assessment Committee

20th May 2024

ROLE OF THE CHAIRPERSON OF THE BOARD

The Chairperson is a Non-Executive Non-Independent Director. The Chairperson conducts Board Meetings ensuring effective participation of all Directors. The Chairperson is responsible for providing leadership to the Board and ensuring that proper order and effective discharge of Board functions is carried out at all times by the Board Members.

Chairperson

The Chairperson of JKH, the Parent Company, serves as the Chairperson of the Company and is responsible for providing leadership to the CCS Group and for performance of the Board, engaging all Directors to actively contribute to matters set before the Board. He sets the tone for the governance and ethical framework of the CCS Group, facilitates and encourages the expression of diverse views and by keeping in touch with local and global industry developments, ensures that the Board is alert to its obligations to the Company's shareholders and other stakeholders.

With the assistance of the Board Secretaries, Keells Consultants (Private) Limited, he also ensures that:

- Board procedures are followed.
- Directors receive timely, accurate and clear information.
- Updates on matters arising between meetings.
- The agenda for the board meeting, reports and papers for discussion are dispatched at least one week in advance so that the directors are able to study the material and arrive at sound decisions.
- A proper record of all proceedings of Board meetings is maintained.

The Human Resources and Compensation Committee of the Parent Company appraises the performance of the Chairperson on an organisational and individual basis as approved by the Board.

GROUP EXECUTIVE COMMITTEE AND OTHER MANAGEMENT COMMITTEES

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

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

Group Executive Committee (GEC) - JKH

As at 20th May 2024, the eight-member GEC consisted of the Chairperson of the JKH Group, Deputy Chairperson/ Group Finance Director of the JKH Group and the Presidents of each business/ function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairperson, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the JKH Group, makes portfolio decisions and prioritises the allocation of all forms of capital.

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

Refer GEC Profiles section of the JKH corporate website for more details.

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

Group Operating Committee (GOC) - JKH

As at 20th May 2024, the twenty-member GOC consisted of the Chairperson of the JKH Group, Deputy Chairperson/ Group Finance Director of the JKH Group, the Presidents and the Executive Vice Presidents in charge of sectors and the finance functions of the industry groups and Executive Vice Presidents who are functional heads at Centre Functions. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions.

The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units.

Refer GOC Profiles section of the corporate website for more details

Corporate Governance Commentary

Group Management Committee (GMC)

The GMC's of the Consumer Foods Industry Group and Supermarket Industry Group operate under the leadership of the respective Presidents are dedicated and focused towards implementing strategies and policies determined by the Board and designing, implementing and monitoring the best practices in their respective functions, strategic business units or even at departmental level where appropriate and material.

Key Objectives of the GMC

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

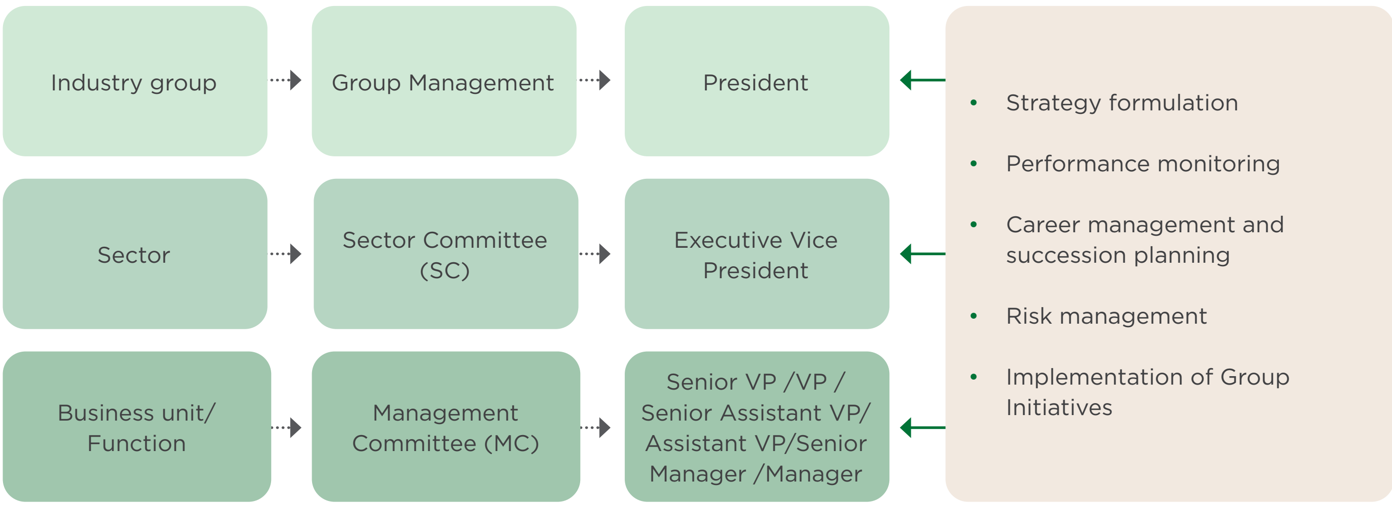
Scope of the GMC

The agenda of the GMC is carefully structured to avoid duplication of effort and ensure that discussions and debate are complementary both in terms of a bottom- up and top-down flow of information and accountability. Responsibility and accountability of the effective functioning of the GMC is vested upon the President and the functional heads as applicable.

The GMC focus is aligned to headline financial and non- financial indicators, strategic priorities, risk management, implement the strategies and policies determined by the Board, the use of IT as a tool of competitive advantage, new business development, continuous process improvements, management of human resource and managing through delegation and empowerment, the business affairs of the respective sectors. Responsibility for monitoring and achieving plans as well as ensuring compliance with Group policies and guidelines rests with the Presidents and functional heads where applicable.

These Committees met regularly and carried out their tasks in keeping with their scope. The Management Committees proved to be key in enhancing employee engagement and empowerment.

Illustrated below is the structure of the three Committees.



Note : Vice President (VP)

EMPLOYEE EMPOWERMENT

The CCS Group ensures that the necessary policies, processes, and systems are in place to ensure effective recruitment, development, and retention of this vital stakeholder. The bedrock of these policies is the JKH Group's competency framework, which has been adopted by the company and the CCS Group, and further refined and updated by JKH to reflect the current needs of the Group. To support these policies, the JKH Group continued with, and further strengthened, the following practices.

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

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

INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

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

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

JKH Group's ethical business practices, adopted by the Company and the CCS Group;

- Seeks to ensure that ethical business practices are adhered to from the most senior to the most junior employee, including the Board of Directors. All Group companies have established procedures and processes to prevent and reduce corruption and bribery. Each business unit is expected to assess the risk of corruption as part of its risk management process and implement mitigation measures. Transparent control and prevention mechanisms extend this expectation to the entire value chain, including customers, suppliers, and business partners. The Group analyses all its business units and functions, incorporating the risk of corruption into its risk management process. Additionally, the Group maintains a zero-tolerance policy towards bribery and corruption.
- Implements stringent checks during the recruitment process to ensure compliance with minimum age requirements.
- Ensures that all businesses are educated on potential sources of forced and compulsory labour.
- Is committed to upholding the universal human rights of all its stakeholders.
- Is an equal opportunity employer and has a zero-tolerance policy against physical or verbal harassment based on gender identity, race, religion, nationality, age, social origin, disability, sexual orientation, political affiliations, or opinion.

Corporate Governance Commentary

STRATEGY FORMULATION AND DECISION-MAKING PROCESSES

The Company and the CCS Group have adopted the JKH Strategy Formulation and Decision-Making Processes.

Strategy Mapping

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

This exercise entails the following key aspects, among others.

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

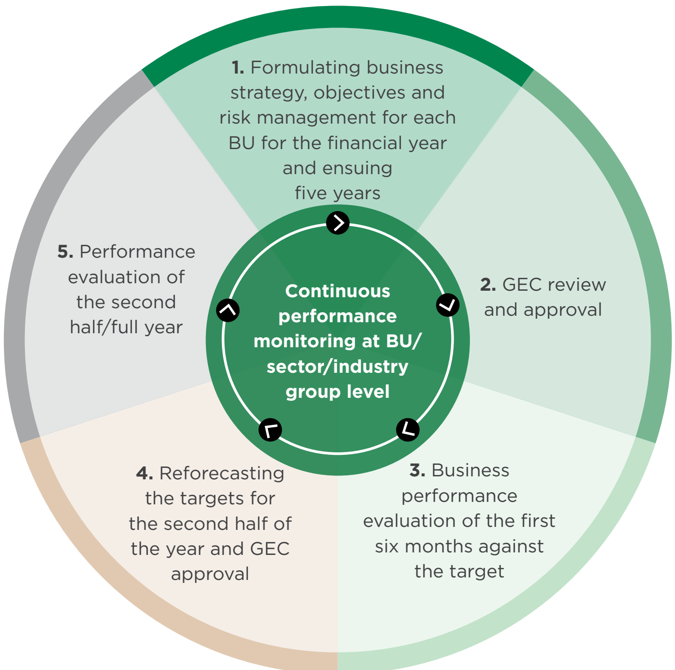
The strategies of the various business units, operating in diverse industries and markets, will always revolve around the JKH Group strategy, while considering their domain specific factors. The prime focus always is to enhance value for all stakeholders.

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

In this manner:

- A broad range of views, opinions and advice are obtained prior to making an investment decision.
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability and tax implications.
- Sensitivity and scenario analysis are conducted to understand the impacts from the macroeconomic environment, especially during periods of volatility and uncertainty.
- All investment decisions are consensual in nature, made through the afore-discussed management committee structure where no single individual has unfettered decision making powers over investment decisions.
- The ultimate responsibility and accountability of the investment decision rests with the Chairperson.

The following section further elaborates on the JKH Group's strategy formulation and planning process.



Medium-term Strategy

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

VALUES AND PROMISES

- Identification of the core values the business will operate with and the internal promises that the business will strive to deliver to stakeholders

BRAND AND BUSINESS REVIEW

- Review of global and regional trends
- Identification of insights, risks, challenges, opportunities and implications, collated into key themes

BRAND PLAN

- Identifying key activities required to be undertaken under each theme and the articulation of the varied brand-led themes and activities
- Identification of KPIs to measure delivery of Promises

LONG-TERM BUSINESS PLAN

- Setting of a long-term goal and agreeing on the core pillars that would deliver growth
- Long Term target setting, scheduling activities and identifying workstreams to execute long-term initiatives
- Identifying operating and capital expenditure along with capability resources

ANNUAL BUSINESS PLANS

- Articulation and approval of detailed project plans for execution of workstreams
- Approval of Annual Business Plans

PERFORMANCE MEASUREMENT

Measure of performance against:

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

Project Approval Process

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

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

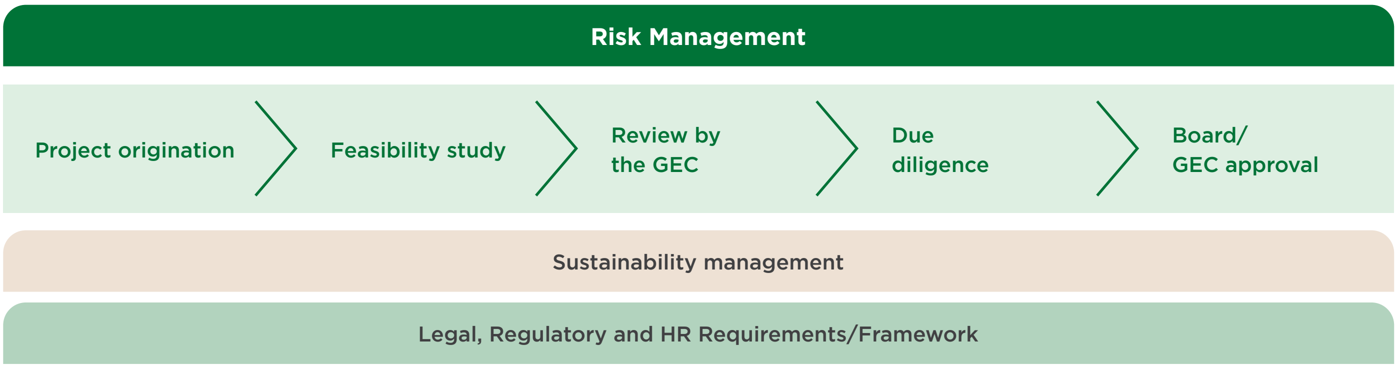
- Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and State land. In case of State land, every action would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained.
- Any project which involves bidding on contracts and tenders, including to those of local and foreign Government and related bodies, is executed in conformance with the Group's policy on bidding on contracts and tenders. It is noted that, while the Company currently does not have any contracts with any local and foreign Governments, the Company will disclose the same in its financial statements, in such an event.
- Where the project is a part of a privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interests, request for proposals, pre-bid meetings, official approvals and correspondence.

Subsequent to the project satisfying the above highlighted criteria, the final approval to proceed will be granted by the Board. Based on thresholds of the investment quantum, the JKH Project Risk Assessment Committee, on behalf of the Board, will review and assess risks associated with such investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. The aim of this intervention is to ensure alignment with the interest of various stakeholders and to recommend to

Corporate Governance Commentary

the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation. When appropriate, the GEC is empowered to approve such proposals in terms of the delegated decision rights with the Board being kept informed.

The aforementioned Project Appraisal framework flow is illustrated below:



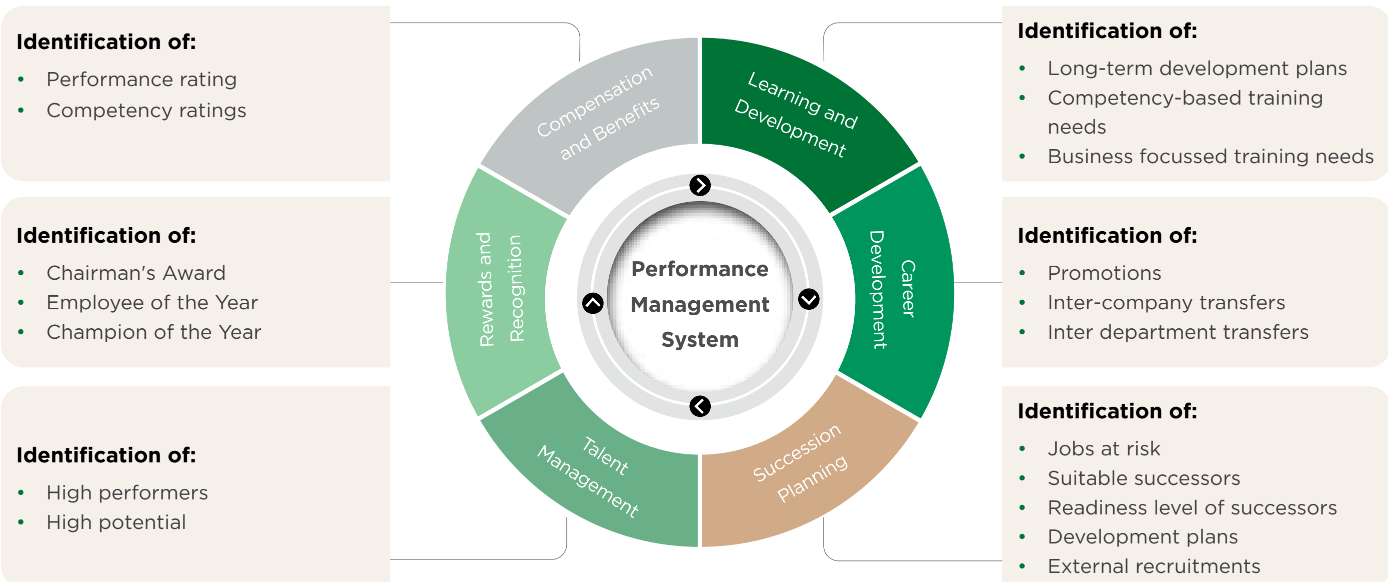
HUMAN RESOURCE GOVERNANCE

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

The state-of-the-art cloud based Human Resource Information System (HRIS) manages the entire lifecycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

Performance Management

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



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

JKH Success Drivers

During the year, the JKH Group embarked on a project to transform the JKH Group Competency Framework which has been in use for over a decade. The outcome was a refreshed and more relevant set of new competencies termed 'Success Drivers' which will be implemented for use during the ensuing year. The 'Success Drivers' evolved through the establishment of a series of workshops and discussions, and has been developed to be current, relevant and flexible in the context of the diversity of the JKH Group talent pool and range of demographics it operates in.

The following pool of nine JKH Success Drivers were identified and developed through discussions and workshops, with a diverse range of internal stakeholders, at different levels.

JKH Success Drivers with Highlights:

1. INCLUSIVE LEADERSHIP
- Inclusivity & Diversity
- Collaboration & Open Communication
- Compassion & Empathy
- Coaching & Mentoring
- Upholding Values

2. CONNECTING THE DOTS
- Big Picture Perspective
- Multidisciplinary approach
- Critical Thinking
- Value Driven approach

3. BEING AGILE
- Adapting to Change
- Thriving in uncertainty
- Bouncing back from adversities
- Rapid experimentation approach
- Solution-oriented Growth Mindset

4. RELENTLESS EXECUTION
- Action orientation
- Prioritization
- Effective Time Management Focus & Commitment

5. EMOTIONAL RESILIENCE
- Self-control and self-regulation
- Adapting to change
- Bouncing back from adversities
- Positive outlook & Growth Mindset

6. STORYTELLING
- Impactful Communication
- Inspiring People
- Creative ways of engagement
- Active Listening

7. ENTREPRENEURIAL MINDSET
- Innovative Thinking
- Decisiveness & Ownership
- Unwavering Commitment
- Prudent risk-taking

8. 360 STAKEHOLDER COMMITMENT
- Passion for all stakeholders
- Building Synergies
- Trust & Credibility
- Commitment to Financial outcomes + ESG

9. CORPORATE CITIZENSHIP
- Commitment to ESG
- Ethical practices
- Focus on Sustainability

Performance Based Compensation Philosophy

The JKH Group Compensation Policy which have been adopted by the CCS Group is as follows:

PERFORMANCE MANAGEMENT

"Pay for performance"

Greater prominence is given to the incentive component of the total target compensation.

SATISFACTION

"More than just a workplace"

Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

Compensation Policy

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

INTERNAL EQUITY

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

EXTERNAL EQUITY

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

Corporate Governance Commentary

Equity Sharing

The Company does not offer its shares under an ESOP Scheme. The ESOP Scheme made available to the Senior Executives of the Company is from the Parent Company, JKH, at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long-term incentives have been significantly instrumental in inculcating a deep sense of ownership in the recipients and are seen to be a key driver of performance-driven rewards. Share options are awarded to individuals based on their immediate performance and the potential importance of their contribution to the CCS Group's plans.

JKH Group issues share options not exceeding a specified percentage of the total issued shares of the Company as at the date of awarding every such option, which is subject to in-principle approval of the Exchange and shareholder approval, by way of a Special Resolution at a General Meeting.

INTEGRATED RISK MANAGEMENT

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

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

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

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

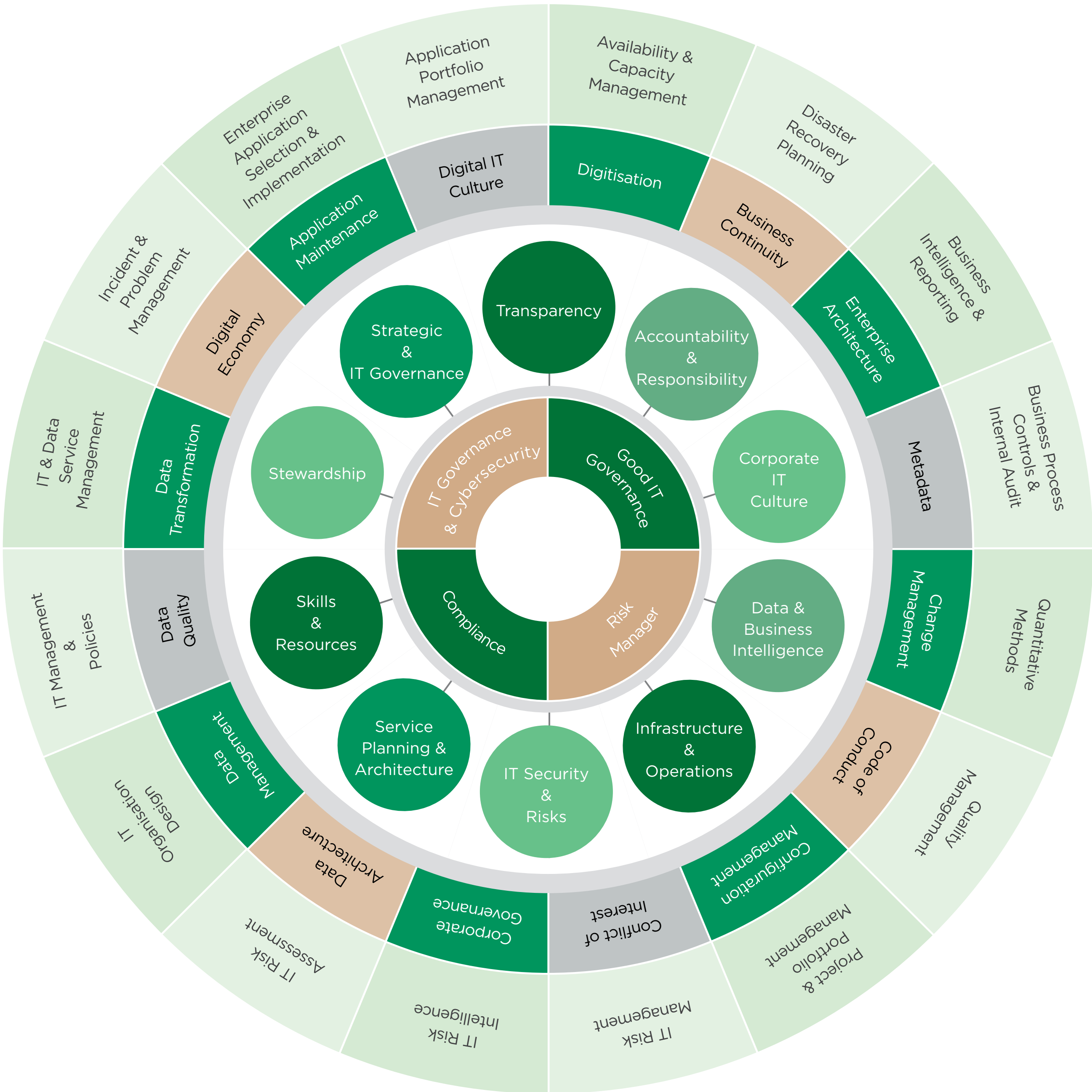
Please refer the Enterprise Risk Management section of the Annual Report for more details.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

IT governance stewardship roles are governed through layered and nested committees, cascading from the JKH Board, GEC, GOC, the JKH Group IT Steering Committee and to the JKH Group IT Operations Committee with well-defined roles and responsibilities across the Group with a federated governance structure to cater to the holistic Group-level as well as specific industry level nuances. This ensures empowerment and enablement to act with a singular and more robust governance and policy framework across the Group, whilst being agile and nimble.

The Group's IT governance framework focuses on five broader segments, namely strategic alignment, value delivery, performance management, risk management, and resource management. Additionally, the IT governance framework used within the Group leverages on best practice and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9001:2015, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), CMMI (Capability Maturity Model Integration), NIST (National Institute of Standards and Technology), FAIR (Factor Analysis of Information Risk), among others, in formulating a state-of-the-art framework for IT governance, risk and compliance management across the CCS Group.

The key focus areas of the IT Governance Framework are as follows:



The CCS Group continually focuses on enhancing the IT governance framework in line with its business and IT strategies with a focused shift towards a zero-trust model built on a mobile-first, internet-first, cloud-first and (AI)-first strategy.

KEY INITIATIVES DURING THE YEAR

To improve the Group's cybersecurity and digitisation efforts, an 'Endpoint Detection and Response (EDR)' solution was implemented. The adoption of a solution from an eco-system partner, through a rigorous selection process, was also a significant milestone in the Group's digitisation journey, providing elevated security across operations.

A SMART Office mobile application was also rolled out across the group. The SMART Office application empowers the workforce with advanced tools, improving mobility, productivity, and streamlining and automating processes.

Corporate Governance Commentary

TAX GOVERNANCE

The JKH Group's tax governance framework and tax strategy adopted by the Company and the CCS Group is guided by the overarching principles of compliance, transparency and accountability, and acknowledges the Group's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.

Governance Structure	• Voluntary compliance and efficient tax management are key aspect of the Group's overall tax strategy. • This is enabled through a decentralised tax structure where expertise is built at each industry group level to support decision making. • The Head of Tax of each industry group, reporting functionally to the Group Head of Tax, ensures uniformity of interpretation, robust compliance management and roll out of Group tax strategy across all businesses.

Policy and Strategy	• Ensure:
	  • Integrity of all reported tax disclosures.
	  • Robust controls and processes to manage tax risk.
	  • Openness, honesty, and transparency in all dealings.
	  • Presence of legitimate business transactions underpinning any tax planning or structuring decision/opportunity.
	• Contribute to fiscal policy formulations constructively in the interest of all stakeholders.

Role	• Implement and maintain strong compliance processes. • Analyse and disseminate business impact from change in tax legislation. • Provide clear, timely, and relevant business focused advice across all aspects of tax. • Ensure availability of strong and well documented technical support for all tax positions. • Obtain independent/external opinions where the law is unclear or subject to interpretation.
Review and Monitoring	• Leverage on digital platforms to support, record and report on tax compliance status across the Group. • Periodic updates to the Board of Directors on the Group Tax positions (quarterly at minimum).

The Group's approach to tax governance is directly linked to the sustainability of business operations. The presence of a well structure tax governance framework ensures the following:

- Ability to manage tax exposures efficiently by reducing the tax burden on the CCS Group, within the ambit of applicable laws.
- Manage tax risks and implications on the CCS Group reputation through adequate policies and proactive communication defence.
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities.
- Ensuing integrity of reported numbers and timely compliance.

STAKEHOLDER MANAGEMENT AND EFFECTIVE COMMUNICATION

Following are the key stakeholder management methodologies adopted by the CCS Group. Whilst the CCS Group has multiple channels enabling effective communication, there were no material concerns that were raised during the year by stakeholders regarding the operations of the Group.

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

- Accessibility to all levels of the management
- Various means for employee involvement
  - Corporate Communications
  - John Keells Employee Self Service (JESS)
  - HIVE - HR Information System
  - Staff Volunteerism

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

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

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

Communication with Shareholders

The CCS Group maintains several communication channels with the shareholders which include the Annual Report, interim financial statements, AGMs, EGMs, announcements to the CSE, press releases, the corporate website, shareholder surveys on a needs basis, the investor feedback form provided in the Annual Report, and through the Company Secretaries.

Engagement Mechanism	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim financial statements	Quarterly
Investor presentations	As required
Press releases	As required
Announcements to CSE	As required
One-to-one discussions	As required
Media Hub section in the Corporate website	Continuous
Feedback surveys	As required

Investor Relations

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

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

Corporate Governance Commentary

Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting a true and fair view, and balanced assessment of results in the quarterly and annual financial statements. Accordingly, CCS has reported a true and fair view of its financial position and performance for the year ended 31 March 2024 and at the end of each quarter of the financial year 2023/24.

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

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

Annual General Meeting

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

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

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time.
- Summary of procedures governing voting at the AGM are clearly communicated.
- The Board ensures that the external auditors are present at the AGM.
- Most Executive and Non-Executive Directors are made available to answer queries.
- The Chairperson ensures that the relevant senior managers are also available at the AGM to answer specific queries.
- Separate resolutions are proposed for each item that is required to be voted on.
- Proxy votes, those for, against, and withheld (abstained) are counted.

Serious Loss of Capital

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

Extraordinary General Meetings, including Shareholder Approval through Special Resolution

The Company will seek shareholder approval, either via special or ordinary resolution as permitted under applicable law, when transactions and events which are material in the context of Group and Company occur or are undertaken in line with all applicable rules and regulations.

SUSTAINABILITY GOVERNANCE

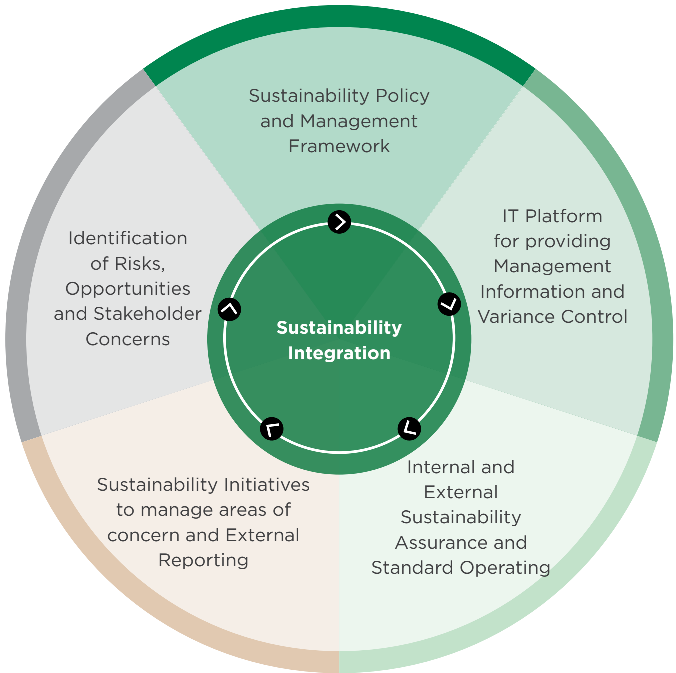
The CCS Group remains steadfast in its commitment to being responsible and conducting operations in a sustainable manner whilst focusing on environmental, social and governance aspects. Sustainable practices remain a strategic priority of the Group and this is ensured through embedding into day-to-day operations.

Approach

The company and the CCS Group adopted the JKH Group's approach to sustainability. The JKH Group's approach to sustainability continues to be aligned to support the Sustainable Development Goals adopted by the United Nations in 2015, which expands on the Millennium Development Goals. The Board firmly embeds sustainability concerns within the CCS Group's strategic planning process, with companies striving to optimise performance from a triple bottom line lens and Internal and External Sustainability Assurance and Standard Operating Procedures are in place to review the effectiveness of the procedures embodied by the group on a needs basis.

The JKH Group has in place a sound sustainability integration process, management framework and sustainability organizational structure through which sustainable practices are embedded to the Group's operations which the CCS Group adopted.

Sustainability Integration Process



The JKH Group's well-established sustainability integration processes and its sustainability management framework works alongside other key functions and management systems such as human resources, health and safety and product responsibility processes, as well as risk management, internal audit, legal and statutory compliance and corporate social responsibility initiatives. The Sustainability Management Framework is updated on a continuous basis to incorporate changing requirements and updates to the global sustainability landscape.

Environmental issues such as, climate change, resource scarcity and environmental pollution, social issues such as, the Group's labour practices, talent management, product safety and data security, and Governance aspects such as, Board diversity, executive pay and business ethics are given significant emphasis within the Group and are periodically reviewed at a GEC and Board level.

JKH Group's effort towards ESG initiatives during the year

- The JKH Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics in the current context.
- Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders.
- Stakeholder engagement sessions were held with both internal and external stakeholders across sectors to gather insights. These efforts culminated in the determination of material ESG topics for each industry group and a holistic perspective for the JKH Group.
- Subsequently, a series of ambition-setting workshops were convened. These workshops involved the senior leadership of each industry group, including the Chairperson and Deputy Chairperson/Group Finance Director, in defining both Group-level and sector-specific ESG ambitions.
- This collaborative process ensured alignment between the overarching JKH Group goals and the specific objectives of each sector.

The JKH Group's ESG framework is an amalgamation of the various frameworks within the JKH Group and through this, the CCS Group endeavours to ensure sustainable value creation for all stakeholders and mitigate any adverse impacts of Group businesses on the environment, economy and society. As such, the ESG disclosures across the Report are captured through the following frameworks:

Corporate Governance Commentary

JKH Sustainability Organisation Structure

Group Executive Committee	Responsible for formulating and steering the Group's overall sustainability strategy.
Sustainability, Enterprise Risk Management and Group Initiatives Division	Operationalised the Sustainability Management Framework (SMF) and carries out Group- wide processes, including identification of stakeholder and material issues, stakeholder engagements, risk assessments, Group-wide awareness campaigns and overall review and monitoring of the SMF.
Business Units	Each business unit is responsible for their sustainability performance, operating under the umbrella of the Group's SMF. Sustainability Champions under the leadership of their respective Heads of Business/ Sector Heads, and working closely with the central sustainability division, have responsibility for implementing sustainability initiatives and management of performance of their individual businesses.

The CCS Group firmly embeds Sustainability concerns within the Group's strategic planning process, with companies striving to optimize performance from a triple bottom line lens. All business units are required to identify non-financial risks and material impacts and include strategies to address these through sustainability initiatives and projects. Business and individual objectives are therefore aligned with overall sustainability goals, resulting in an entrenched focus on sustainability.

The SMF extends beyond Group boundaries, also focusing on the Group's value chain with the purpose of benefitting suppliers and their own dependent supply chains. Through its Supplier Code of Conduct, annual assessment of supply chain partners and ongoing awareness and engagement through Supplier Forum, the Group hopes to have a positive impact on key external stakeholders.

Sustainability Disclosures

The CCS Group uses both its Annual Integrated Report and corporate website as the primary means of responding to stakeholder concerns and outlining its sustainability strategy, including materiality assessments and management policies and processes. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with standard industry practices and GRI Standard. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Management Approach Disclosures section and can be found online at www.elephanthouse.lk/corporate/sustainability/. Reference to specific information and disclosures required by the GRI Standards can be found through the GRI context index. Figures and statements have been rearranged, wherever necessary, to conform to the current year's presentation in terms of restatements and comparisons to the previous year.

ASSURANCE MECHANISMS

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

As outlined in the ensuing sections, the CCS Group has various mechanisms in place for concerns to be escalated and raised at a Board level or GEC level. Other than matters on significant transactions linked to the operations of the CCS Group, there were no critical concerns which have a material adverse effect on the CCS Group were raised during the year.

THE CODE OF CONDUCT

The Company and the CCS Group abide by the JKH Code of Conduct.

JKH Code of Conduct

- Allegiance to the Company and the Group, that ensures the Group will "do the right thing", by going further than the letter of any contract, the law and our written policies.
- Compliance with rules and regulations applying in the territories that the Group operates in.
- Conduct all businesses in an ethical manner at all times in keeping with acceptable businesses practices and demonstrate respect for the communities we operate in and the natural environment.
- Exercise of professionalism and integrity in all business and public's personal transactions.

The JKH Code of Conduct also entails conformance to all Group policies, and also includes, amongst many others, policies on gifts, entertainment, facilitation payments, proprietary and confidential information. Policies on anti-fraud, anti- corruption and anti- money laundering and countering the financing of terrorism and JKH's Code of Conduct, amongst other policies, also encompass:

- Anti-bribery controls to prevent payments and contributions being made with the aim of obtaining an improper business benefit from any party including, but not limited to, clients, service providers, customers, business associates and political parties; and
- Controls on gifting and favours. The giving or accepting gifts or favours in whatsoever form, including from clients, service providers, customers, business associates and political parties and any other stakeholder we engage within the course of carrying out duties in our professional capacity, is prohibited if it was possible on the part of a "reasonable person" to conclude that the giving/ acceptance of such gifts or favours could directly or indirectly affect one's independence in decision making and conduct as an employee and/or if it could be seen by others as a consideration for an official or business favour. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.
- In the event a gift or benefit of a threshold of above USD 50 per gift is given or received, based on business exigencies, these are monitored to ensure conformance with the Group's policies, including policies on gifts and entertainment. Such exceptions are required to be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), where in turn, these are collated and monitored centrally.

The Code of Conduct, and thereby all Group policies apply to all employees and Directors. All policies of the Company receive final approval at Board level and are readily available to employees in the official languages of Sri Lanka (Sinhala, Tamil and English). The Company Leadership, both the Board of Directors and the Group Executive Committee, spearheads the implementation of the Code.

The Group further strengthened its internal policy universe during the year under review, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies in terms of its interdependencies.

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

The Group Values continue to be consistently referred to by the Chairperson, President, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instill these values in the hearts and DNA of the employee.

The CCS Group Values are found in the Our Values section of the Annual Report.

INDEPENDENT DIRECTORS

Independent Directors represent more than one third of the Non-Executive Directors in the Board to preserve the corporate governance as stake holders need an independent party to voice their concerns on a confidential note.

BOARD SUB-COMMITTEES

In addition to the CCS Audit Committee, the parent company, JKH PLC's Board Sub-Committees play an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board.

For more information refer Board Sub-Committee section of this Commentary.

EMPLOYEE PARTICIPATION IN ASSURANCE

The CCS Group is continuously working towards introducing innovative and effective modes of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral- in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the Chairperson and the management. Whilst employees have many opportunities to interact with senior management, the Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal.

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

Corporate Governance Commentary

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

Whistle-blower Policy

The JKH Group's Whistle-blower Policy, adopted by the Company and its subsidiary, provides an effective mechanism for employees and other stakeholders to report any concerns regarding compliance and ethics. The policy offers a transparent and confidential process that encourages the reporting of such concerns. It covers the reporting process, how such reports will be addressed, and emphasises that those who make a report in good faith under the policy will be protected from retaliation.

Key aspects of the Policy:

- Guidelines on the process through which concerns raised will be investigated and appropriate corrective/preventive action will be taken.
- Designated persons to whom reports can be made.
- Management responses and steps taken.
- Details of the internal inquiry process.
- Maintaining confidentiality

INTERNAL CONTROLS

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

Internal Compliance

A quarterly self-certification programme requires the President, Sector Head and Chief Financial Officer of CCS group to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms. The compliance statement which gets collated every quarter and tabled at the respective Audit Committee meetings, is subject to periodic review and where applicable revised, to reflect and capture any material changes that drive the macro and micro operating contexts, for reporting and monitoring purposes.

System of Internal Control

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

This also entails automated monitoring and work flow based escalation in order to facilitate timely clearing of all transactional entries including complete reconciliation, unreconciled and open entries being flagged and periodically scrutinised, and formal disclosure being made to the Audit Committee, efficient management and tracking of cash and cheques deposits, in line with international best practice and continual streamlining and optimisation of the Internal Audit function via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.

The JKH Group has in place two integrated frameworks, the 'JKH Fraud Deterrent and Investigation Framework' and the 'JKH Process Review Framework' that complement each other to strengthen the Group's effort to promote anti- fraud, anti-corruption and anti-bribery by proactively recognising the changing context and operating landscape. The integrated fraud deterrent and investigation framework which enables an integrated platform for handling all aspects of fraud and stakeholder assurance, reinforces uniformity across common processes in matters relating to fraud, employs a data driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds. The Integrated Process Review Framework provides an innovative approach to internal audits which enable audits to be specific and very focussed on matters relevant to a business entity. Emphasis is placed on use-cases and events stemming from the current business strategy, which must get facilitated by participating processes, systems, and personnel which form micro-value chains with special attention to the efficacy of control and its placement to ensure the integrity of transaction as each traverse through each micro-value chain, at the time of audit reviews.

The digital system for quarterly financial and operational information management implemented, continues to perform as per expectations facilitating data capturing for compliance reporting, providing a sustainable and structured mechanism to enable top-down and bottom-up stakeholder engagement, and tracking the progression of how the compliance posture at an entity level has evolved, among others. The Forensic Data Analytics platform feeds into 'Internal Audit Scoping' and continues to be used to identify areas for process optimisation, strengthening controls and in feedback reporting to reinforce governance (management) and assurance structures.

INITIATIVES TO STRENGTHEN INTERNAL CONTROLS

- The JKH Group engaged a leading international consultancy firm to conduct a comprehensive assessment of its cybersecurity resilience, leveraging industry-leading methodologies such as the Microsoft Cybersecurity Reference Architecture (MCRA) and Microsoft Cloud Security Benchmarks (MCSB) to fortify its technological backbone for future growth and resilience. By aligning with industry best practice and recommended technological principles, the Group aims to enhance performance, scalability, and reliability across its cloud ecosystem, positioning itself as a mobile-first, data-first, cloud-first, and AI-first organisation. Whilst proactively mitigating risk, this initiative was carried out to boost the efficiency, security and reliability of the JKH Group's cloud ecosystem, underscoring the Group's commitment to delivering value to its stakeholders by maintaining robust and secure cloud infrastructure.
- JKH remains steadfast in its commitment to safeguarding stakeholder privacy amidst evolving regulations and technological advancements. The establishment of the JKH Data Governance Steering Committee, overseen by the JKH Group Executive Committee, aims to strengthen data governance practices in compliance with relevant laws, notably the Personal Data Protection Act No. 9 of 2022. Key initiatives during the reporting period included:
  - benchmarking initiatives
  - data lifecycle management
  - appointment of data protection officers for each industry group
  - gap analysis
  - awareness creation

The risk review programme covering the internal audit of the 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 President of the CCS group are forwarded to the Audit Committee on a regular basis. Further, the Audit Committee also assess the effectiveness of the risk review process and systems of internal control on a regular basis.

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

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

Internal Audit

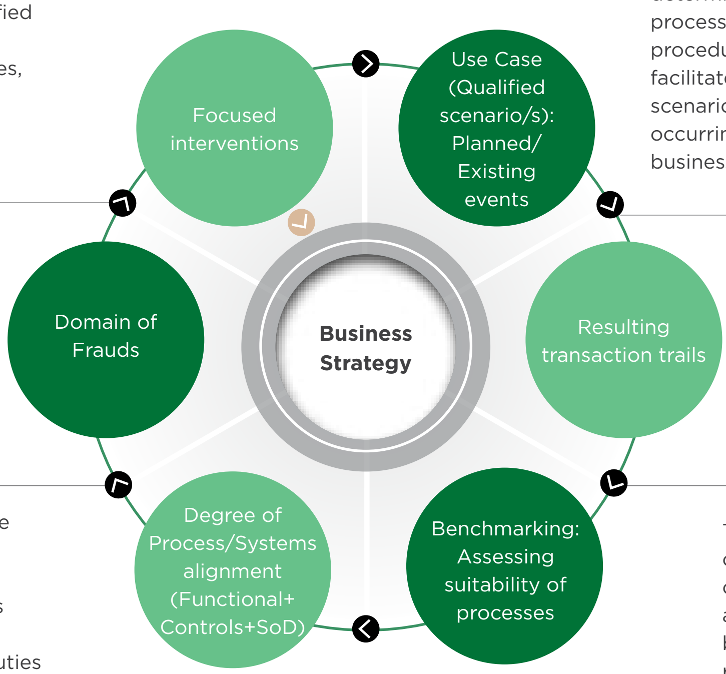
The ensuing diagram provides a helicopter view of the new Internal Audit Approach that has been rolled out within the CCS Group. Central to this approach is the business strategy and how the current processes, systems, and people, are geared to efficiently and effectively handle the deliverables of the current business strategy at the time of review. The outer elements reflects the reporting elements which are noted in audit reports, either as observations and/or value-added recommendations.

Corporate Governance Commentary

The New Internal Audit Approach: Continuous Emphasis on Context

Prompt active engagement based on prioritised remediation for identified opportunities for continuous improvement of existing processes, systems, standard operating procedures and practices

Central to this approach: Auditor determines how geared the factors of process, systems, and standard operating procedures are aligned and are ready to facilitate predominant use case [specific scenario (s)] that stem from events occurring, consequent to the current business strategy



Disclosure of a qualified list of fraud that the process is assessed for its susceptibility and is based on authoritative sources such as ACFE (Association of Certified Fraud Examiners), and amongst others, Global knowledge resources of Audit firms

Transactions resulting from events are scrutinised, anomalies identified, and root cause (contributory effect of Process, Systems, People), and its potential impact to the Business are prioritised for further deliberation

Bottom-up evaluation : Determine how well process controls are enforced by the system(s) in use, identify opportunities for process automation and optimising enforcement of segregation of duties (SoD) to enhance efficiencies

Top-down assessment : Efficacy of the design and placement of Process/functional controls are validated/verified and benchmarked with contextually relevant best practices

To facilitate

Whilst there are merits and demerits associated with outsourcing an internal audit, CCS Group has deployed an Internal Auditor in addition to the External Auditor.

Forensic data analytics to identify anomalies and facilitate behavioural oversight

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

FORENSIC DATA ANALYTICS

The CCS group uses forensic data analytics to facilitate action towards investigating transactions that are distinct within its population, based on well-established algorithms that prompt attention to strengthen process and systems controls in ensuring the integrity of such transactions within its contextual domain.

A key success factor of this oversight mechanism is the use of advanced machine learning algorithms, that are continuously sensitised to each business's operating circumstances that trigger such transactions, and to remain relevant and insightful, by increasing its utility and providing optimisation opportunities for Continuous Controls Monitoring (CCM) and active intervention.

The CCS Group conjunction with the JKH Group, piloted and implemented a series of new initiatives throughout the year, to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement CCM and internal audit engagements.

OMBUDSPERSON

Ombudsperson who was appointed by the Parent Company, JKH, is available to report any complaints from employees of alleged violations of the published Code of Conduct if the complainant feels that the alleged violation has not been addressed satisfactorily by the internally available mechanisms.

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

On matters referred to him by the Ombudsperson, the Chairperson or the Senior Independent Director of JKH, 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 Chairperson or the Senior Independent Director of JKH disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons thereof.

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

The current Ombudsperson is an attorney-of-law by profession.

Mandate and Role

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

(a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;

(b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairperson-CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;

(c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

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

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

Ombudsperson

31st March 2024

Corporate Governance Commentary

EXTERNAL AUDIT

Messrs. Ernst & Young is the External Auditors of the Company as well as of the Subsidiaries. They also audit the consolidated financial statements of the CCS Group.

In addition to the normal audit services, Ernst and Young and the other External Auditors, also provided certain non-audit services to the CCS Group. However, the lead/consolidating 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 Audit Committee 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 Group and Company to its Auditors are separately classified in the notes to the financial statements of the Annual Report.

GOVERNANCE OUTLOOK AND EMERGING CHALLENGES

The need for maintaining a robust and well-grounded corporate governance framework is vital when operating in a dynamic and challenging socio-economic environment, exacerbated by global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate transparency, fair-mindedness and creating sustainable value. In this light, the CCS Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting and managing evolving internal and external challenges.

The pursuit of continuous improvement in governance, emphasis on environmental and social considerations, and a call for increased accountability and transparency continue to influence and shape the role of Board governance aspects, to not only mitigate risks but also fosters trust, attracts investment, and drives sustainable growth. The primary areas of focus and challenges, amongst many others, being continuously addressed by CCS Group are detailed in the ensuing section.

Board Diversity

CCS Group acknowledges the need and value in having a diverse Board and is conscious of the need to attract appropriately skilled Directors who subscribe to its vision, reflect and complement its values and have an in-depth understanding of the dynamics of its varied business interests. CCS Group is of the view that diversity improve a Board's understanding of its vast pool of stakeholders and aids the Group in addressing stakeholders' expectations in a more responsive manner. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics, experiences and backgrounds whilst maintaining a strong culture of meritocracy.

Board Independence

Board independence is given considerable importance by stakeholders, stock exchanges and regulatory bodies worldwide. CCS Group's subscribes to the view that, for a Board to be effective, companies must take steps, both in their structures and nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest.

When looking at criteria for defining independence of Boards across countries, there is evidence that the intended outcome of achieving improved governance and greater independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, establishment of various assurance mechanisms and the use of systematic and comprehensive Board evaluation processes and independent director led engagements. To this end, CCS Group will continue to place emphasis on further augmenting the Board's independence whilst striking a balance with the Group's operating model, which addresses the complexities and intricacies of a diversified conglomerate setting.

Anti-Fraud, Anti-Corruption and Anti-Bribery

The CCS Group places the utmost importance on ethical practices in all its business operations and has promulgated a zero-tolerance policy towards bribery and corruption in all aspects of doing business and strives to maintain a culture of transparency and honesty in all its dealings with both internal and external stakeholders. The JKH Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, anti-money laundering, counter-terrorist financing, gifting, audit and transparency policies, amongst many others, outline the principles to which the CCS Group is committed in relation to preventing, reporting and managing unethical practices. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments, bribery, allowing oneself to be placed in situations of conflict of interest and dishonesty in financial and non-financial statements is prohibited across the Group.

Furthermore, the Group is continuously engaged in taking steps to strengthen its Code of Conduct deviation monitoring and resolution process. There were no material incidents of corruption reported during the year by the Group.

Increasing Emphasis on Environmental, Social and Governance (ESG) Aspects

ESG analysis and ESG focused investing continue to gain traction amongst governments, multilateral funding agencies, investment professionals and high net-worth investors, given the aim of reducing negligent and irresponsible corporate behaviour that may have an adverse impact on the environment, infringe on human rights, and foster corruption and bribery, among others. Implementing effective ESG policies and practices is crucial for companies not only to attract talent and retain employee loyalty but also for its long-term survival and sustainable growth.

CCS Group is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model, which can derive value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, mitigating impact of the Group's businesses on the environment, enhancing the well-being of all stakeholders, and ensuring effective governance mechanisms. Such metrics are revisited regularly during decision-making. The Group will stay abreast and where possible ahead of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

As a part its continuous efforts towards increasing emphasis and focus on ESG aspects, the JKH Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics. Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders. Stakeholder engagement sessions were also held with both internal and external stakeholders to gather insights. These efforts culminated in the determination of material ESG topics for CCS group.

The International Sustainability Standards Board (ISSB) released its first set of standards, IFRS S1 and IFRS S2, in June 2023. IFRS S1 focuses on the general requirements for disclosing sustainability-related financial information, while IFRS S2 details climate-specific disclosures. During the year, CA Sri Lanka issued the localised standard based on IFRS S1 and S2, designated as SLFRS S1 and S2. The standards will be effective from 1 January 2025. A comprehensive roadmap has been initiated to assess alignment with the new standard to review processes and disclosures required.

Continual Strengthening of Internal Controls

Augmenting transactional and financial internal controls with operational aspects, in line with international best practice, remains a medium-term priority for the CCS Group. Continuous strengthening of internal controls through a streamlined process that optimises and facilitates process audit information, life cycle management and related processes are expected to:

- Eliminate inefficiencies inherent in manual processes.
- Provide a platform based on process enforcement.
- Enable management follow-up based on centrally held data in a compliance repository.
- Identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture.
- Strengthen the Group's ability to prevent and detect fraud.

Refer System of Internal Control Section of this Commentary for initiatives during the year aimed at strengthening internal controls.

Digital Oversight and Cyber Security

Whilst the rapidly advancing nature of technology and the continual integration of the CCS Group's operations with technological progress has enhanced and streamlined processes and controls across the Group and opened up opportunities, it has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is designed in a manner, and adequate, to deal with a potential breach. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

Data Protection, Information Management and Adoption

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, continues to augur well for the Group. Given the emergence of regulations such as the European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022, data security, integrity and information management has become pivotal. In addition to this, the Group's initiatives on advanced data

Corporate Governance Commentary

analytics also necessitate an established governance framework to manage the flow of data. To this end, the Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

Greater Employee Involvement in Governance

Whilst all necessary compliance and assurance frameworks are believed to be in place, CCS recognises the pivotal role played by employees in reinforcing an effective governance system across the Group. CCS will continue to encourage greater employee participation through:

- Ongoing training and refreshers on the Code of Conduct and related governance policies, including non-discrimination, anti-corruption and anti-bribery.
- A further strengthened continuous performance management process, which envisages continuous feedback and enhanced engagement via employee information systems.
- Engagement and empowerment via greater delegation of authority.
- Increased communication and collaboration.
- Adoption of differentiated means of communication based on the demographical dynamics of employee segments.

Need for Increased Transparency

Ensuring transparency is a continually evolving journey given progressing regulations, advancements in global best practice and complex stakeholder needs. Staying abreast of internally accepted best practice and continuously challenging the status quo is vital in this journey of being transparent. Additionally, transparency and accountability in reporting foster a foundation of trust with stakeholders which improves the credibility of the organisation, whilst also strengthening an organisation's legitimacy and reputation. Openly reporting on activities and challenges builds public trust and demonstrates a commitment to ethical practices. In today's information age, such aspects will aid organisations in differentiating themselves from a stakeholder’s point of view, including attracting investment so long as the information is relevant to the stakeholder and does not create information overload where the material information may lose the perspective and attention it warrants.

In an organisation’s journey towards transparency, the Government and regulatory bodies also need to play a pivotal role in ensuring the required foundations and criteria for good governance are advocated and put in place. Hence, it is vital for the regulatory frameworks of the country to evolve as corporates cannot operate in isolation within the ecosystem. For instance, Transparency International, including its local counterpart, Transparency International Sri Lanka advocates for the disclosure of Ultimate Beneficial Owners (UBO) of corporates. However, collating information on ultimate beneficial owners of entities is not possible as the country’s regulations do not require this to be disclosed when purchasing shares in the Colombo Stock Exchange, and a listed entity cannot compile this information in isolation.

COMPLIANCE SUMMARY

The CCS Board, through its operating structures, strived to ensure that the Company and its subsidiaries complied with the laws and regulations of the countries they operated in. Accordingly, the Group complied with all applicable laws and regulations of the countries it operates in, including anti-corruption and anti-bribery laws.

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

STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURES

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
(i)	Names of persons who were Directors of the Company	Yes	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis, Annual Report of the Board of Directors and Financial Statements
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Your Share in Detail
(iv)	a)The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Yes	Your Share in Detail
	The public holding percentage in respect of non-voting Shares (where applicable)	Not Applicable	
	b)The public holding percentage in respect of Foreign Currency denominated Shares	Not Applicable	
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes	Annual Report of the Board of Directors
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Enterprise Risk Management Report
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Not Applicable	During the year 2023/24, there were no material issues pertaining to employees and industrial relations of the CCS Group
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Group Real Estate Portfolio
(ix)	Number of shares representing the Entity's stated capital	Yes	Your Share in Detail
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Your Share in Detail
(xi)	Financial ratios and market price information	Yes	Your Share in Detail and Key Figures and Ratios
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value	Yes	Notes to the Financial Statements

Corporate Governance Commentary

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable	
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Share Information and Notes to the Financial Statements
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Yes	Corporate Governance Commentary
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Corporate Governance Commentary/ Notes to the Financial Statements
(xvii) to (xxi)	Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities. Infrastructure Bonds and/ or Shariah Compliant Debt Securities listed on the CSE	Not Applicable	

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE LISTING RULES OF THE CSE ON CORPORATE GOVERNANCE

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
7.10.1 Non-Executive Directors (NED)			
a./ b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	6 out of 8 Board members are NEDs. The CCS Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time
7.10.2 Independent Directors			
a.	2 or 1/3 of NEDs, whichever is higher shall be “independent”	Yes	3 out of the 6 NEDs are independent
7.10.5 Remuneration Committee			
a.(1)	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) of the Parent Company only comprises of Independent NEDs

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
7.10.6 Audit Committee			
a.(1)	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs
a.(2)	A NED shall be the Chairperson of the committee	Yes	The Chairperson of the Audit Committee is an Independent NED
a.(3)	CEO and CFO should attend AC meetings, unless otherwise determined by AC	Yes	While the Company does not have a Chief Executive Officer, the Sector President and Chief Financial Officer are permanent invitees to all Audit Committee meetings and the External Auditors attended most parts of the Audit Committee meetings by invitation
a.(4)	The Chairperson of the AC or one member should be a member of a recognised professional accounting body	Yes	One of the members of the AC is a member of a recognised professional accounting body
b	The Functions of the Audit Committee	Yes	The Audit Committee Report
b.(1)	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The Audit Committee Report
b.(2)	Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements	Yes	The Audit Committee Report
b.(3)	Overseeing the process to ensure that the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	The Audit Committee Report
b.(4)	Assessment of the independence and performance of the Entity's External Auditors	Yes	The Audit Committee Report
b.(5)	Make recommendations to the Board pertaining to External Auditors	Yes	The Audit Committee Report
c.(1)	Names of the Audit Committee members shall be disclosed	Yes	The Audit Committee Report
c.(2)	Audit Committee shall make a determination of the Independence of the External Auditors	Yes	The Audit Committee Report
c.(3)	Report on the manner in which Audit Committee carried out its functions and manner of compliance of Company in relation to the above	Yes	The Audit Committee Report

Corporate Governance Commentary

STATEMENT OF COMPLIANCE UNDER SECTION 9 OF THE REVISED LISTING RULES OF THE CSE ON CORPORATE GOVERNANCE, EFFECTIVE AS AT 1ST APRIL 2024.

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
9.1 Corporate Governance Rules			
9.1.3	A statement confirming compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and has stated so within the Report with any deviations explained where applicable
9.3 Board Committees			
9.3.1 b/c/d	Minimum required Board Committees	Yes	The required Committees are maintained, and are functioning effectively
9.3.2	Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees	Yes	The Group is in compliance with the requirements in respect of the Board Committees
9.4 Meeting procedures and the conduct of all General Meetings with shareholders			
9.4.1	Records of all resolutions and the following information upon a resolution being considered at any General Meeting shall be maintained	Yes	The Group maintains all records and information regarding resolutions considered at General Meetings
9.4.2 a/b/c	Communication and relations with shareholders and investors	Yes	Refer Stakeholder Management and Effective Communication Section
9.6 Chairperson and CEO			
9.6.1	Requirement for a SID if the positions of Chairperson and CEO are held by the same individual	Not Applicable	-
9.6.2	Market announcement on the rationale behind the appointment of a SID	Not Applicable	-
9.6.3 a-d	Requirement for a SID	Not Applicable	-
9.6.3 e	SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties	Not Applicable	-
9.6.4	Rationale for the appointment of a SID set out in the Annual Report	Not Applicable	-
9.7 Fitness of Directors and CEO			
9.7.1-9.7.5	Requirement to meet the fit and proper criteria stipulated by the CSE and related disclosures	Yes	Directors are required to provide general disclosures and declarations on fitness and propriety annually and are required to report any material changes to the information provided therein, including any changes to their professional responsibilities and business associations, to the Board The Nominations Committees reviews and makes recommendation to the Board on the fitness and propriety of Directors No non-compliances were reported during the year in this regard

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
9.8 Board Composition			
9.8.3 (i) to (viii)	Requirements for meeting the criteria to be an Independent directors	Yes	Details of the independence criteria are explained within the Corporate Governance Commentary
9.8.5 a/b/c	The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent'	Yes	All NED/IDs have submitted declarations as to their independence, and a determination of their independence is evaluated
9.9 Alternate Directors			
a-e	Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association	Yes	No Alternate Directors appointed during the financial year CSE has granted a waiver to amend the Articles of Association to incorporate the requirements of the Rules at an EGM to be held on the same day as the date of the AGM
9.10 Disclosures relating to Directors			
9.10.2/ 9.10.3	Market announcement upon the appointment of a new director and any changes to the Board composition	Not Applicable	No changes to board composition during the year
9.10.4 a-i	Details in relation to the Board members	Yes	Refer Board of Directors section
9.12 Remuneration Committee			
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on EDs and individual Directors	Yes	The remuneration of the Executive Directors is determined as per the remuneration principles of the JKH Group and recommended by the Human Resources and Compensation Committee of JKH
9.12.4	Remuneration for NEDs shall be based on a policy of non-discriminatory pay practices to ensure the independence	Yes	Refer Director Remuneration section
9.12.5	The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Yes	Refer Human Resources and Compensation Committee section
9.12.6 (2)	Where the parent company and the subsidiary are Listed Entities, the Remuneration Committee of the parent company may function as the Remuneration Committee of the subsidiary	Yes	The remuneration committee, which is equivalent to the Human Resources and Compensation Committee of JKH, the ultimate parent company, shares its Human Resources and Compensation Committee with CCS
9.12.6 (3)	An ID shall be appointed as the Chairperson of the Remuneration Committee	Yes	Refer Human Resources and Compensation Committee section

Corporate Governance Commentary

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
9.12.7	Functions	Yes	Refer Human Resources and Compensation Committee section
9.12.8 a	Names of Remuneration Committee Chairperson and members	Yes	Refer Human Resources and Compensation Committee section
9.12.8 b	Statement of Remuneration policy	Yes	Refer Human Resources and Compensation Committee section
9.12.8 c	Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section
9.13 Audit Committee			
9.13.2	The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties	Yes	Refer Audit Committee section
9.14 Related Party Transactions Review Committee			
9.14.2 (1)	Related Party Transactions Review Committee shall comprise of a minimum of 3 members, majority of whom should be IDs and an ID shall be appointed as the Chairperson	Yes	The Related Party Transactions Committee comprises only of Independent Directors and maintained the minimum requirement of 3 members throughout the year
9.14.2 (2)	Where the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may function as the Related Party Transactions Review Committee of the subsidiary	Yes	The Related Party Transactions Review Committee of JKH, the ultimate parent company shares its Related Party Transactions Review Committee with CCS
9.14.3	Functions	Yes	Refer Related Party Transactions Review Committee section
9.14.4	General Requirements	Yes	Refer Related Party Transactions Review Committee section
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Yes	Refer Related Party Transactions Review Committee section
9.14.6	Shareholder Approval	Yes	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year
9.14.8 (1)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Refer Notes to the Financial Statements
9.14.8 (2)	Details pertaining to Recurrent Related Party Transactions	Yes	Refer Notes to the Financial Statements
9.14.8 (3)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transactions Review Committee
9.14.8 (4)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Refer Annual Report of the Board of Directors

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
9.14.9 (1)/(2)	Shareholder approval for acquisition and disposal of substantial assets	Yes	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year
9.14.9 (4)/(5)/(6)	Competent independent advice on acquisition and disposal of substantial asset	Yes	The Group has not acquired/ disposed substantial assets from/to related parties
9.16 Additional Disclosures			
(i)	Directors have disclosed all material interests in contracts and have refrained from voting when materially involved	Yes	Directors make a disclosure of interests at appointment, at the beginning of every financial year and during the year as required
(ii)	Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence	Yes	Board takes steps to ensure the integrity of internal control systems remain effective via the review and monitoring of such systems on a periodic basis
(iii)	Directors are aware of laws, rules and regulations and their changes particularly to Listing Rules and applicable capital market provisions	Yes	Refer Board Induction and Training section
(iv)	Disclosure of material non-compliance with laws/ regulations and fines by relevant authorities where the Entity operates	Not Applicable	-

Corporate Governance Commentary

STATEMENT OF COMPLIANCE PERTAINING TO THE COMPANIES ACT NO. 7 OF 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

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

CODE OF BEST PRACTICE OF CORPORATE GOVERNANCE 2017 ISSUED BY THE CA SRI LANKA

VOLUNTARY PROVISIONS

The CCS Group is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency and as required by the Group.

Directors	• The Group is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen. • Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals. • Board Balance is maintained as the Code stipulates. • Specified information regarding Directors is shared in the Corporate Governance Commentary.

Directors' Remuneration	• The Human Resource and Compensation Committee, consisting of exclusively NEDs of John Keells Group is responsible for determining the remuneration of Chairperson and EDs. • ED compensation includes performance related elements in the pay structure. Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under the Director's Remuneration Section and is in line with the Code.
Relationship with Shareholders	• There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute. • The CCS Group has in place multiple channels to reach shareholders as discussed under the Stakeholder Management and Effective Communication section.
Accountability and Audit	• Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the Group carried out all business in accordance with regulations and applicable laws, equitably and fairly. • The Group continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements. • There is an annual review of the effectiveness of the Group's risk management and internal controls which ensures the maintenance of a sound system of internal control which is reported on under the Internal Controls section. • The Internal Audit function and the Audit Committee, functions as stipulated by the Code, and are discussed under the Audit Committee section. • A Related Party Transactions Review Committee of JKH is in place and functions in line with the Code. • There were no violations of the Group Code of Conduct and the Code of Business Conduct and Ethics during the year, which is mentioned under the Chairperson's Message section.
Institutional Investors	• The Group conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.
Other Investors	• Individual shareholders investing directly in shares of the Group are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.
Sustainability Reporting	• ESG (Environmental, Social, and Governance) is a pivotal consideration in the Group's decision making. In reporting performance, the Annual Report covers ESG disclosures through the <IR> framework, GRI standards and operations in conformity with the Principles of the United Nations Global Compact and United Nations Sustainable Development Goals.
Internet and Cybersecurity	• The JKH Board has prioritized cybersecurity by appointing a dedicated member responsible for overseeing it within the JKH group. The CCS Group has implemented a JKH group policy, conduct periodic reviews to ensure its effectiveness, discuss cybersecurity risks at the board level, and disclose the management of risks in the Annual Report. Furthermore, measures have been taken to secure connectivity for both internal and external devices.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE (2023) ISSUED BY CA SRI LANKA

CA Sri Lanka issued a revised Code of Best Practice on Corporate Governance in December 2023, effective from 1 April 2024. While the CCS Group has presented its compliance in line with the 2017 Code of Best Practice on Corporate Governance, The CCS Group has reviewed the 2023 Code for further adoption, as applicable, and relevant to the CCS Group.

Enterprise Risk Management

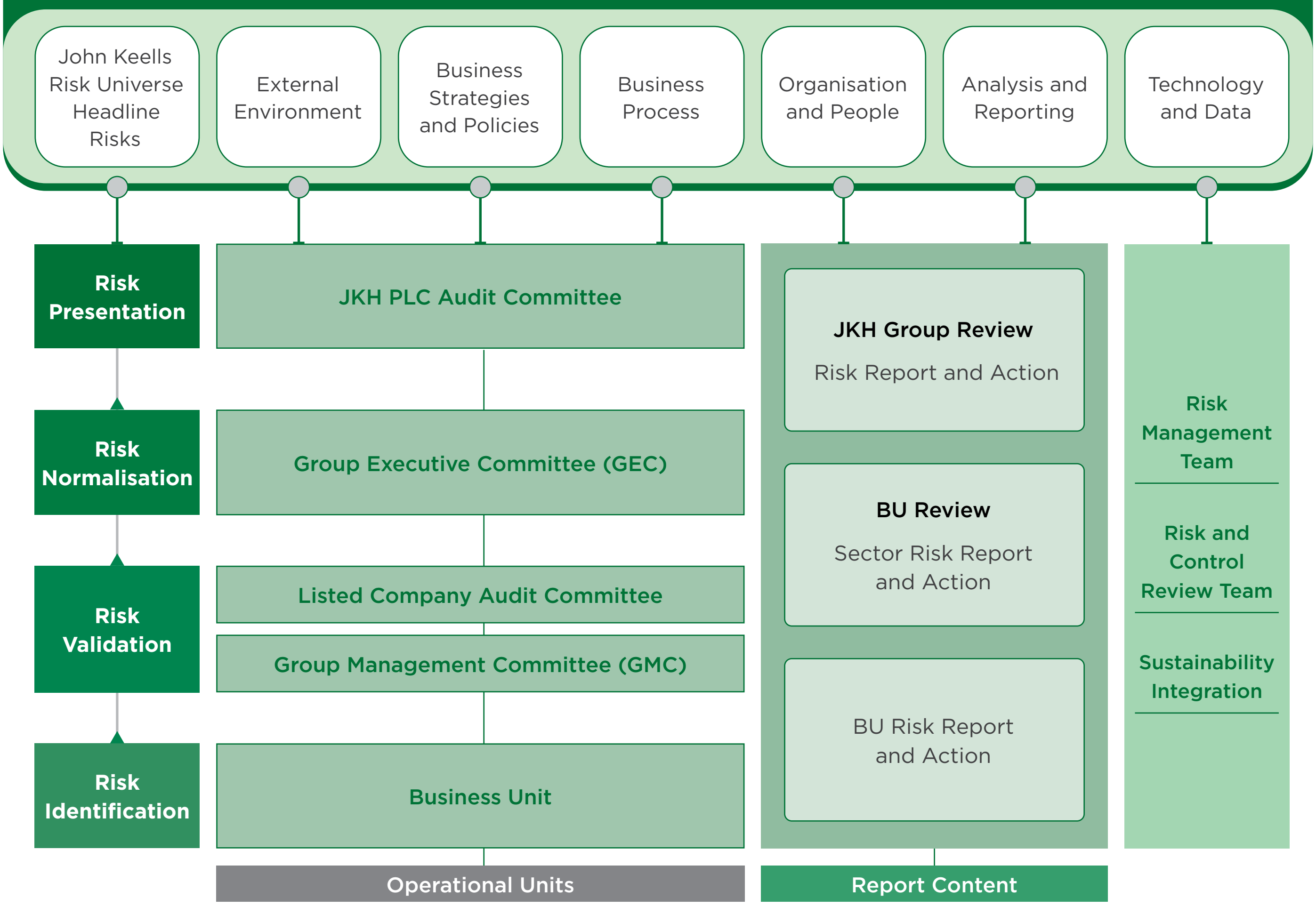
ENTERPRISE RISK MANAGEMENT

Risk Management plays a pivotal role in the strategic decision-making process of the Group. A rigorous and consistent Risk Management culture is embedded across the Group, where an Annual Risk Management cycle begins with a detailed discussion with the Group Management Committees (GMC) on the identification of impact, likelihood and velocity of risks, along with preventive, detective and corrective mitigation plans of the identified risks. The Group assesses if the risk ratings reflect the changing macro-economic and operating environments. The entire Risk Management process is carried out via an online Enterprise Risk Management platform which further enhances transparency and ownership of all risk-related responsibilities and ensures that Risk Management is a holistic and dynamic process.

Individual business units are the ultimate owners of their risks and are responsible for reviewing their risk assessment forms on a quarterly basis. Identified risks are then validated at the Group Management Committees (GMC) and presented to the Audit Committee.

The outcomes of the Company risk review are considered by the JKH ERM division in consolidating risks for the JKH Group. The Risk Management cycle is concluded with the distribution of a Group Risk Report, which is compiled by the JKH ERM division, containing risk profiling and analysis, to the JKH Group Audit Committee. The Risk Management process and information flow adopted by John Keells Group is depicted below in Table 1.

TABLE 1 - JOHN KEELLS GROUP RISK MANAGEMENT PROCESS



The ERM Framework adopted by the John Keells Group and implemented by the Company and its Subsidiaries involves the following three steps:

I. Identification of Risk

A Risk Event - Any event with a degree of uncertainty which, if it occurs, may result in the Organisation or Business Unit failing to meet its stated objectives.

The identified risks are classified as

i. Common Risks - Common Risks are those risks which commonly appear on the risk grids of several companies of the John Keells Group. These risks are incorporated in the risk grid of the Group Executive Committee of JKH and are rated based on a consolidation of the risk ratings of such risks in the RCSAs of the constituent businesses.

ii. Business Specific Risks - Business Specific Risks are defined as those risks which are applicable only to an individual line of business.

iii Core Sustainability Risks - Core Sustainability Risks are defined as those risks having a catastrophic impact to and from the Organisation, but may have a very low or nil probability of occurrence. These are risks that threaten the sustainability or long term viability of a business.

II. Establishment of Risk Grid with Likelihood of Occurrence and Severity of Impact

Based on JKH Group Guidelines, risk registers are established for the Company and its Subsidiaries. Every risk is analysed in terms of likelihood of occurrence and severity of impact, assigning a number ranging from 1 (low probability/impact) to 5 (high probability/impact) to signify the probability of occurrence and the level of impact to the Organisation. Please refer Table 2 for further details.

III. Establishment of Level of Risk based on the Risk Rating Grid

Based on the values assigned for each individual risk, using the matrix given in Table 2, a level of risk is established by multiplying the likelihood of occurrence with severity of impact.

QUARTERLY REVIEW OF THE RISKS IDENTIFIED USING RISK FRAMEWORK BY THE GROUP

It is the responsibility of the President of each business unit to ensure that each risk item is tracked over the course of the year and that the mitigation actions identified during the risk review process are being carried out adequately. This results in a dynamic risk document that is updated based on the internal and external environment.

TABLE 2 - GUIDELINE FOR RATING RISKS

Impact/Severity		Rare/Remote to Occur (1)	Unlikely to Occur (2)	Possible to Occur (3)	Likely to Occur (4)	Almost Certain to Occur (5)
Catastrophic/ Extreme Impact	5	5	10	15	20	25
Major/Very High Impact	4	4	8	12	16	20
Moderate/ High Impact	3	3	6	9	12	15
Minor Impact	2	2	4	6	8	10
Low/ Insignificant Impact	1	1	2	3	4	5
		1	2	3	4	5

Occurrence/Likelihood

Priority Level	1	2	3	4	5
Colour Code	Ultra high	High	Medium	Low	Insignificant
Score	13-25	10-12	7-9	3-6	1-2

Enterprise Risk Management

RISK UNIVERSE

The Group's risk universe allows categorisation of each risk identified and analysed into seven broad themes, allowing for consistency across businesses and industry groups, as defined by the JKH Group. The risk universe of the CCS Group is tabulated in Table 3.

TABLE 3 - CCS RISK UNIVERSE

Headline Risk	External Environment	Business Strategies and Policies	Business Process	Organisation and People	Analysing and Reporting	Technology and Data	Sustainability and CSR
RELATED RISKS	Political	Reputation and Brand image	Internal Business Process	Leadership/ Talent Pipeline	Performance Measurement and Reporting	Technology Infrastructure/ Architecture	Sustainability Strategy
	Competition	Governance	Operations – Planning, Production, Process	Training and Development	Budgeting/ Financial Planning	Technology Reliability and Recovery	Biodiversity and Climate Change
	Catastrophic Loss	Capital and Finance	Operations – Technology, Design, Execution, Continuity	Human Resource Policies and Procedures	Accounting/Tax	Data Relevance, Processing and Integrity	Natural/ Sustainable Resource Utilisation
	Stakeholder Expectations	Strategy and Planning	Interdependency	Ethics	Internal/External Reporting and Disclosures	Cyber Security	Community Investment and Philanthropy
	Macro-Economic	Business/ Product Portfolio	Customer Satisfaction	Fraud and Abuse		Information Technology Processes	Oversight/ Monitoring/ Compliance
	Foreign Exchange & Interest Rates	Organisation Structure	Legal, Regulatory, Compliance and Privacy	Attrition		Cloud Computing	Goal Congruence/ Dependence
	Weather & Climate	Innovation and R&D	Property and Equipment Damage and Breakdown	Knowledge and Intellectual Capital			
	Price Volatility of key Raw Materials	Investment, Mergers, Acquisitions and Divestments	Vendor/Partner Reliance	Employee Relations and Welfare/Health and Safety			
		Treasury, Hedging and Insurance		Performance Management and Compensation			

INTEGRATED RISK MANAGEMENT

The CCS Group's Risk Management strategy is closely interwoven with its sustainability management framework and corporate social responsibility functions, enabling a holistic approach to the management and mitigation of risk. Risk Management therefore extends beyond managing the operational and financial risks faced by the Group, and extends to environmental, community, employee, value chain and other non-financial risks related to the triple bottom-line approach of the Group, providing a foundation for productive engagements with internal and external stakeholders.

RISK MANAGEMENT DURING THE REPORTING YEAR

The financial year 2023/24 reflected improvement in the macro-economic conditions and gained stability during the year. This in turn attributed to the gradual relaxation of monetary policies, achieving single-digit inflation rates, and stabilizing foreign currency markets. However, the recent increase in VAT rates, extension of VAT to previously exempted items, and rising fuel costs and electricity tariffs have impacted supply chain cost, logistics, consumer spending, and overall operational dynamics. The Group pursued cost rationalizations, timely inventory purchases and stringent cashflow management to maintain business continuity. The Group's risk landscape shifted dramatically during the year, necessitating a further strengthening of risk identification, management, and measurement.

All high-level risks are reviewed by the Group Management Committee headed by the President of the Industry Group as a means of validating the Risk Management process at business unit level. The Group's online Enterprise Risk Management Platform enhances transparency and provides a dynamic risk register, which facilitates a more robust risk assessment in the quarterly risk reviews conducted by the Group. The significant risk areas that impact the achievement of the strategic business objectives of both the Manufacturing and Supermarket segments which include Ceylon Cold Stores PLC (CCS), The Colombo Ice Company (Pvt) Ltd (CICL), Jaykay Marketing Services (Pvt) Ltd (JMSL) and LogiPark International (Pvt) Ltd (LPIL) and the measures taken to address these risks are discussed below;

MITIGATION STRATEGIES ADOPTED BY THE GROUP TO ADDRESS ITS RISK LANDSCAPE

The Group identified the following significant risks during the year. The risk rating for 2022/23 and 2023/24 and the mitigation strategies implemented by each Company have been provided to describe for each significant risk area identified.

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating	
			2023/24	2022/23
Macro-Economic Environment, changes in Interest Rate, Exchange Rate, Electricity and Fuel Prices, Taxes and Tariffs	• The macro-economic landscape has a direct impact on the Group's cost base and business volumes, through supply chain disruptions and implications on disposable incomes and demand. • With effect from January 1st, 2024, the Value-Added Tax (VAT) rate has increased from 15% to 18%, coupled with the removal of exemptions for certain goods and services significantly impacted the purchasing power of consumers. This change has also created complexities in cost management. Consequently, the intense competition within the market and the dwindling purchasing power of consumers have made it impossible to pass on these increased costs to customers. • The increase in Excise Duty rates on specific HS Codes effective 1st January 2024, has resulted in higher Excise Duty on beverage production volumes. • Inconsistencies in electricity tariffs, including an average increase of 40% in February 2023 and a further 12% increase in October 2023, have resulted in cost escalations for energy-intensive manufacturing processes, cold storage, and distribution channels. • The ongoing foreign currency default rating of the sovereign of the country has resulted in foreign banks refusing to confirm letters of credit issued by local banks. Consequently, the Group is compelled to pay down import liabilities either in advance or upon receipt, thereby straining cash flows and operations throughout the financial year. • Given reliance on imported materials in the Manufacturing segment (CCS and CICL), was exposed to fluctuations in the exchange rate, which directly impacted the cost of key input materials.	• Continuous review of macro-economic developments and consumer behaviour through market surveys while maintaining ongoing dialogue with regulators, financial institutes and related parties. • Manages the risk in exchange rates with the support of Treasury division of JKH. In addition to re-establishing buffer stocks levels of imported materials, arranging forex facility for key raw materials. • Manages interest rate risk by controlling, monitoring and mitigating exposure to interest rate fluctuations. The Group also reviewed working capital requirements on a more frequent basis to minimise the investment in working capital. • Development of alternative suppliers locally for raw materials and backward integration possibilities are under review. • Introduction of products for price and quality conscious customers. • Initiatives to support distributors through economic challenges stemming from indirect tax hikes and rising fuel and electricity costs.	High	High

Enterprise Risk Management

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating	
			2023/24	2022/23
Price Volatility of Key Raw Materials	• The significant price volatility in both the world and local markets, particularly concerning certain raw materials used in the manufacturing process, directly impacts the price-sensitive Manufacturing Segment market.	• Wherever possible, sought to enter into long-term agreements for key ingredients and packaging materials, without compromising quality and availability. • Monitoring of world market prices of key materials and development of alternative local suppliers for raw materials to enjoy tariff benefits where available and lobbying for stable Government policies by maintaining ongoing dialogue with the regulators and industry counterparts.	Medium	High
Natural Disasters and Fire	• The CCS Group's manufacturing facilities are potentially exposed to the risk of a catastrophic fire or a natural disaster which may render the facility inoperable for a significant period. Although the likelihood of such an event is low, the impact would be significant. • In Supermarket Sector, this risk is diluted as the stores are spread across a wide geographical area.	• Infrastructure to detect and extinguish fires as well as carrying out periodic fire drills, registration with the fire brigade for effective response, and audits by independent experts on fire safety. • In addition to the above, the Companies have comprehensive insurance to adequately cover such risks and a comprehensive Business Continuity Plan (BCP) to face such extreme events. • Supermarket segment has adequate infrastructure to ensure fire safety while all facilities are comprehensively covered by insurance.	Medium	Medium
Human Resource, Labour Relations and Loss of Talent	• The Group's operations may be impacted by the potential loss of experienced employees due to skill migration trend prevalent in the country. • The 2023 increase in Personal Income Tax (PIT) and tax slab reforms had a significant impact on employee retention and rewards in the current year.	• The Group maintains good industrial relations with the unions by identifying and promptly addressing concerns of employees. • Invest in developing the skills and expertise of the staff via regular training programs. • Aligning Compensation and Benefits (C&B) structures and organisational culture to suit contemporary trends while strengthening emotional connections with regular employee engagement activities. • Implemented the "Skill Fit" programme to hire quality talent. • Succession planning is in place for critical roles. • The extension of paternity leave to 100 days to support employees in meeting their early childcare responsibilities.	High	High

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating	
			2023/24	2022/23
Health and Safety	• In the Manufacturing and Supermarket Sector ensuring a safe working environment for its employees remains a top priority to ensure safety and improve the motivation and the productivity of the staff while reducing accidents at the workplace. A rise in workplace accidents could elevate the risk of employee turnover.	• The CCS Ranala manufacturing plant has obtained the ISO 45001:2018 OHSMS certification, streamlined manufacturing and other processes, and makes continuous process improvements to ensure safe working conditions for its employees. Compliance to the laid down process is monitored via regular audits. • Health and safety policies and procedures are in place and are steered by a Health and Safety committee and managed by a Health and Safety Officer of the Supermarket Sector.	Low	Low
Product Liability Risk	• The key risk of the Manufacturing Sector is product liability arising due to a fault in the product, whereas for the Supermarket Sector the core risk is the erosion of brand value due to food poisoning and selling expired items.	• Adhering to the certified manufacturing processes as per ISO 9001 (2008) and ISO 22000, comprehensive quality assurance process, adherence to Good Manufacturing Practices (GMP), and stringent Food Safety Standards, in addition to rules and regulations enacted by the Government. • Traceability of product recalls, communication and PR strategy, Digital Crisis Management Plan in place. • All Companies within the Group are equipped with hotlines with trained call centre agents and social media platforms for customers and other stakeholders to engage in case of complaints/ suggestions. An internal mechanism is in place to promptly address such communications. • The Group has put in place a comprehensive quality assurance system powered by qualified specialists using international benchmarks, which consider all product and process innovations to avoid any regulatory, health and nutrition related concerns. • At the Supermarket Sector, a near-expiry product tracking process is in place by physically examining products to identify near expiry items. This process is carried out daily in the case of bakery products, chilled dairy, fish and meat items, and monthly for dry items. Temperature is monitored daily to ensure the consistency of the performance of refrigeration units. Quality controls are in place at the point of receiving meat and fish to the stores where the temperature of the consignment is checked prior to acceptance.	Medium	Medium

Enterprise Risk Management

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating	
			2023/24	2022/23
Credit Risk	• Credit facilities are offered to the Manufacturing Sector customers and distributors. Hence, the Group is exposed to the risk of defaulting payments and increase in cost of operations due to bad debts. • Cost escalations led to an increase in the Maximum Retail Price in Beverage Segment, which increased the distributors' exposure against provided bank guarantees. Due to low off take in the market, retailers faced credit limitations, which resulted in payment delays.	• Continuous evaluation of credit worthiness when setting up credit limits. • Maintaining bank guarantees and progressively increasing bank guarantee requirements to minimise exposure. • Granting approval on additional credit facilities by adequately safeguarding exposures with sufficient asset backed securities. • Close monitoring of debtors and frequently ensuring the outstanding are settled on time despite the contraction of the economic activities.	High	High
Vulnerabilities from IT Related Risks (Cyber Risk)	• As the Group increasingly relies on IT and digital services, it is inevitably exposed to risks stemming from data privacy, cyber-crime, and other IT risks. • With the digitization and increased connectivity to company networks, potential risks related to network security, information leakage, and device stability have escalated. • Reliance on cloud infrastructure and data increase the risk of unauthorised access, potential downtime that may disrupt Group operations and non-compliance with the regulations. • The Group is exposed to emerging regulations such as the European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022. As a result, data security, integrity, and information management have become pivotal considerations.	• Installing stringent access controls, firewalls, security software and dedicated user IDs. • Comprehensive disaster recovery plan to ensure continuity of business operations. • Obtain daily, weekly, and monthly "on-site" and "off-site" data backups, cloud storage for all users. • Maintain up to date virus definition files and firewalls. • Continuous training to employees on information security. • The Group will continue to enhance its data governance structure to establish clear ownership and accountability for well-defined data governance policies, processes, and group-wide data quality standards.	Low	Low

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating	
			2023/24	2022/23
Sustainable Distribution Operation	• Customers cut back on their spending due to a reduction of disposable income during the current economic downturn, along with cost escalations from inflationary pressure negatively impacted distributors' cashflows in the Manufacturing Sector. • The imposition of Value Added Tax (VAT) on fuel and increase in energy costs adversely impacted the operating profits of distribution partners, resulting in a rise in redistribution and transportation costs.	• Continuously monitor distribution channels and support them case-by-case. • Monitoring of distributor exposure levels. • Enhance existing and introduce new discount policies to maximise financial benefits for distributors. • Different distributor models are introduced depending on the market, scale, location of the distributors. • Continuously monitoring the financial stability of the distributors and having weekly credit review meetings.	High	High
Liquidity Risk and High Finance Cost	• The current state of the economy triggers its challenge to sustain a stable cash flow as a consequence of rising fixed overhead costs, machinery maintenance, labour cost, vendor payments, other debt obligations stretched settlements from customers due to numerous reasons, and an increase in the average collection period. • Volatility in interest rates and shortages in market liquidity.	• Renegotiate all terms and conditions with suppliers and contractors, including prices, credit periods, and payment term extensions. • Cash flow projections frequently using Cashflow Monitoring War Room. • Negotiating with Banks for favourable interest rates. • Rigorously monitor the stocks and maintaining them at optimum level to right size the investment in working capital.	Medium	High
Reputation Risk	• The Group recognizes that reputational risk encompasses the potential harm to its image and positioning in the eyes of stakeholders, including customers, investors, employees, and the public. This risk arises from adverse events, actions, or perceptions that tarnish the Company's reputation.	• Ensure compliance with JKH Group policies and applicable laws, adhere to corporate governance, ethical behaviour, and maintain positive customer relationships to foster trust and goodwill among stakeholders and the community.	Low	Low

Independent Practitioner's Assurance Report

Building a better working world

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TO THE BOARD OF DIRECTORS OF CEYLON COLD STORES PLC

Report on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2023/24

Scope

We have been engaged by Ceylon Cold Stores PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Ceylon Cold Store PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Ceylon Cold Store PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Ceylon Cold Stores PLC

In preparing the Subject Matter, **Ceylon Cold Stores PLC** applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at **https://www.globalreporting.org**

Such Criteria were specifically designed for **the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria;** As a result, the subject matter information may not be suitable for another purpose.

Ceylon Cold Store PLC's responsibilities

Ceylon Cold Stores PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Ceylon Cold Stores PLC on 07 February 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Ceylon Cold Stores PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.

Ernst & Young

20th May 2024

Colombo

GRI Index

Statement of use	Ceylon Cold Stores PLC has reported in accordance with the GRI Standards for the period 1st April 2023 to 31st March 2024
GRI 1 used	GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location (Page number)	Omission		
			Requirement(S) Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	6, IBC	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	2-2 Entities included in the organization's sustainability reporting	6			
	2-3 Reporting period, frequency and contact point	6, 7			
	2-4 Restatements of information	7			
	2-5 External assurance	7, 172 - 173			
	2-6 Activities, value chain and other business relationships	18 - 21, 22 - 23, 34, 60 - 63, 87, 89, 91 - 101			
	2-7 Employees	77			
	2-8 Workers who are not employees	77			
	2-9 Governance structure and composition	117, 120			
	2-10 Nomination and selection of the highest governance body	120			
	2-11 Chair of the highest governance body	136			
	2-12 Role of the highest governance body in overseeing the management of impacts	120			
	2-13 Delegation of responsibility for managing impacts	122			
	2-14 Role of the highest governance body in sustainability reporting	144 - 146, 153			
	2-15 Conflicts of interest	123			
	2-16 Communication of critical concerns	120, 121			
	2-17 Collective knowledge of the highest governance body	120, 152			
	2-18 Evaluation of the performance of the highest governance body	127			
	2-19 Remuneration policies	127			
	2-20 Process to determine remuneration	128			
	2-21 Annual total compensation ratio	-	2 - 21	Confidentiality constraints	Industry does not disclose this information due to confidentiality constraints.
	2-22 Statement on sustainable development strategy	145 - 146, 153			
	2-23 Policy commitments	114 - 115			
	2-24 Embedding policy commitments	114 - 115			
	2-25 Processes to remediate negative impacts	164 - 171			
	2-26 Mechanisms for seeking advice and raising concerns	22			

GRI Standard/ Other Source	Disclosure	Location (Page number)	Omission		
			Requirement(S) Omitted	Reason	Explanation
	2-27 Compliance with laws and regulations	59			
	2-28 Membership associations	100			
	2-29 Approach to stakeholder engagement	22 - 23			
	2-30 Collective bargaining agreements	77, 81			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	46			
	3-2 List of material topics	47			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	65 - 68			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	19			
	201-2 Financial implications and other risks and opportunities due to climate change	55, 104, 164			
	201-3 Defined benefit plan obligations and other retirement plans	269 - 272			
	201-4 Financial assistance received from government	23			
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics	69 - 73, 91 - 101			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	71			
	203-2 Significant indirect economic impacts	96 - 99			
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	91 - 101			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	99			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	114 - 163			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	115, 147, 152			
	205-2 Communication and training about anti-corruption policies and procedures	121, 154			
	205-3 Confirmed incidents of corruption and actions taken	153			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	142, 237 - 243			
GRI 207: Tax 2019	207-1 Approach to tax	142, 237 - 243			
	207-2 Tax governance, control, and risk management	142, 237 - 243			
	207-3 Stakeholder engagement and management of concerns related to tax	142, 237 - 243			
	207-4 Country-by-country reporting	-	207 - 4	Not applicable	The Group operates only in Sri Lanka.

GRI Index

GRI Standard/ Other Source	Disclosure	Location (Page number)	Omission		
			Requirement(S) Omitted	Reason	Explanation
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	102 - 109			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	106			
	301-2 Recycled input materials used	-	301 - 2	Information unavailable/ incomplete	Information unavailable/ Incomplete
	301-3 Reclaimed products and their packaging materials	-	301 - 3	Information unavailable/ incomplete	Information unavailable/ Incomplete
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	102 - 109			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	105			
	302-2 Energy consumption outside of the organization	-	302 - 2	Information unavailable/ incomplete	Information unavailable/ Incomplete
	302-3 Energy intensity	105			
	302-4 Reduction of energy consumption	105			
	302-5 Reductions in energy requirements of products and services	-	302 - 5	Information unavailable/ incomplete	Information unavailable/ Incomplete
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	102 - 109			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	106			
	303-2 Management of water discharge-related impacts	106			
	303-3 Water withdrawal	106			
	303-4 Water discharge	106			
	303-5 Water consumption	106			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	102 - 109			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	105			
	305-2 Energy indirect (Scope 2) GHG emissions	105			
	305-3 Other indirect (Scope 3) GHG emissions	105			
	305-4 GHG emissions intensity	105			
	305-5 Reduction of GHG emissions	105			
	305-6 Emissions of ozone-depleting substances (ODS)	104			
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	104			
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	102 - 109			

GRI Standard/ Other Source	Disclosure	Location (Page number)	Omission		
			Requirement(S) Omitted	Reason	Explanation
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	107 - 110			
	306-2 Management of significant waste-related impacts	107 - 110			
	306-3 Waste generated	108			
	306-4 Waste diverted from disposal	108			
	306-5 Waste directed to disposal	108			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	91 - 101			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	99			
	308-2 Negative environmental impacts in the supply chain and actions taken	99			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	78			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	82			
	401-3 Parental leave	83			
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	81			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	79			
	403-2 Hazard identification, risk assessment, and incident investigation	79			
	403-3 Occupational health services	79			
	403-4 Worker participation, consultation, and communication on occupational health and safety	79			
	403-5 Worker training on occupational health and safety	79			
	403-6 Promotion of worker health	79			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	79			
	403-8 Workers covered by an occupational health and safety management system	79			
	403-9 Work-related injuries	80			
	403-10 Work-related ill health	80			

GRI Index

GRI Standard/ Other Source	Disclosure	Location (Page number)	Omission		
			Requirement(S) Omitted	Reason	Explanation
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	81			
	404-2 Programs for upgrading employee skills and transition assistance programs	81			
	404-3 Percentage of employees receiving regular performance and career development reviews	81			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	77, 120			
	405-2 Ratio of basic salary and remuneration of women to men		405 - 2	Confidentiality constraints	CCS Group does not disclose this information due to confidentiality constraints.
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	76			
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	81			
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	76			
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	74 - 85			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	76			
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	91 - 101			

GRI Standard/ Other Source	Disclosure	Location (Page number)	Omission		
			Requirement(S) Omitted	Reason	Explanation
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	100 - 101			
	413-2 Operations with significant actual and potential negative impacts on local communities	101			
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	91 - 101			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	99			
	414-2 Negative social impacts in the supply chain and actions taken	99			
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	91 - 101			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	95			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	95			
Marketing and labeling					
GRI 3: Material Topics 2021	3-3 Management of material topics	91 - 101			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	95			
	417-2 Incidents of non-compliance concerning product and service information and labeling	95			
	417-3 Incidents of non-compliance concerning marketing communications	95			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	73			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	73			


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FINANCIAL REPORTS

Financial Calendar

1st Quarter Released on	18th July 2023
2nd Quarter Released on	6th November 2023
3rd Quarter Released on	30th January 2024
4th Quarter Released on	20th May 2024
Annual Report Released on	20th May 2024
127th Annual General Meeting on	18th June 2024

Annual Report of the Board of Directors

The Board of Directors of Ceylon Cold Stores PLC has pleasure in presenting their Annual Report which covers the Audited Financial Statements, Chairperson's Statement, Corporate Governance Commentary, Management Discussion and Analysis, Risk Management and all other relevant information for the year ended 31st March 2024.

In the year under review, the CCS Group achieved notable growth in both Revenue and Profit After Tax, driven by an economic resurgence and increased consumer sentiments. The management has formed judgment that the Group has adequate resources to continue in operational existence for the foreseeable future driven by the continuous application of risk mitigation initiatives and monitoring of business continuity and response plans by the operations backed by the financial strength of the Group.

This report has also considered the requirements of the Companies Act No. 07 of 2007 (Companies Act), the relevant Listing Rules of the Colombo Stock Exchange (CSE) and recommended best reporting practices, such as the rules on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission (SEC) of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and are also guided by recommended best accounting practices.

The Company was incorporated as a Limited Liability Company in 1866 as Colombo Ice Company Limited and in 1941 the Company changed its name to Ceylon Cold Stores Limited. The Company was listed on the CSE in January 1970 as Ceylon Cold Stores PLC. Pursuant to the requirements of the Companies Act, the Company was re-registered and obtained a new Company number, PQ 4, on 15th June 2007.

CORPORATE CONDUCT AND THE VISION OF THE COMPANY

The business activities of the Company and its Subsidiaries (CCS Group) are conducted in accordance with the highest level of ethical standards to achieve the vision. The Company's vision is given on page 3 of this Annual Report.

PRINCIPAL ACTIVITIES

Company

The principal activities of the Company, are manufacturing, marketing and distribution of Beverages and Frozen Confectionery, have remained unchanged since its incorporation.

SUBSIDIARIES

Jaykay Marketing Services (Pvt) Ltd

The principal activity of Jaykay Marketing Services (Pvt) Ltd (JMSL) which is 100% owned by the Company, remained unchanged as that of owning and operating of a chain of supermarkets, under the brand "Keells". JMSL also operates and manages the Nexus loyalty programme.

LogiPark International (Pvt) Ltd

LogiPark International (Pvt) Ltd (LPI) is a 100% owned subsidiary of JMSL. LPI was incorporated on 06th July 2018 to construct and operate a 260,000 sq ft. mega logistics center on a 9-acre land in Kerawalapitiya. The lease agreement for the respective land was awarded by the Cabinet of Ministers to John Keells Logistics (Pvt) Ltd, and was signed between John Keells Logistics (Pvt) Ltd and Sri Lanka Land Reclamation and Development Corporation and was subsequently sub-leased to LPI. The Company has also qualified for Section 17 of the Board of Investment (BOI) Act to execute the project.

The Colombo Ice Company (Pvt) Ltd

The Colombo Ice Company (Pvt) Ltd (CICL) is a BOI registered Company, 100% owned by the Company, and was incorporated in May 2016. The principal activities of CICL are to manufacture, market and distribute Frozen Confectionery products.

ULTIMATE PARENT

The Company's ultimate Parent and controlling entity is John Keells Holdings PLC (JKH), a Company incorporated in Sri Lanka.

REVIEW OF OPERATIONS

A review of the operations of the Company and the CCS Group during the financial year 2023/24 and results of their operations are contained in the Chairperson's Statement (pages 12 to 17) and Management Discussion and Analysis section (pages 45 to 111) of this Annual Report. These Reports form an integral part of the Annual Report of the Board of Directors and together with the Audited Financial Statements reflect the state of the affairs of the Company and the CCS Group as at 31st March 2024.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Financial Statements of the Company and the CCS Group duly signed by the Directors are provided on pages 198 to 280 and the Auditor's Report on the Financial Statements is provided on pages 194 to 197 of this Annual Report. These Reports form an integral part of the Annual Report of the Board of Directors and together with the

Audited Financial Statements provide a fair review of the performance of the Company and the CCS Group during the financial year ended 31st March 2024.

GOING CONCERN

The management has formed judgment that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group. The Group's outlook has been presented in the Chairperson's Message on page 16.

FINANCIAL RESULTS AND APPROPRIATIONS

Accounting Policies

The accounting policies based on the Accounting Standards (SLFRS/ LKAS) issued by CA Sri Lanka are provided in detail in the notes to the Financial Statements on pages 205 to 280 of the Annual Report.

Revenue

The Net Revenue generated during the year under review by the Company amounted to Rs. 21,504 million (2022/23 - Rs. 19,007 million), whilst the Consolidated Net Revenue of the CCS Group amounted to Rs. 139,625 million (2022/23 - Rs. 126,149 million). An analysis of revenue is given in Notes 06 and 12 to the Financial Statements.

Financial Results

The Company recorded a Profit After Tax of Rs. 2,662 million for the year (2022/23 - Rs. 1,149 million) whilst the Consolidated Profit After Tax was Rs. 3,427 million (2022/23 Rs. 2,513 million).

A synopsis of the CCS Group's performance is presented as follows;

For the year ended 31 March	2024 Rs.'000	2023 Rs.'000
Results from operating activities	8,155,396	6,185,004
Finance cost	(3,354,385)	(4,100,973)
Finance income	108,010	134,290
	4,909,021	2,218,321
Change in fair value of investment property	21,869	21,063
Profit before tax	4,930,890	2,239,384
Provision for taxation including deferred tax	(1,504,038)	273,284
Profit after tax	3,426,852	2,512,668
Unappropriated profit brought forward from the previous year	14,531,921	13,063,318*
Amount available for appropriation	17,958,773	15,575,986
Final dividend paid for the previous year	(421,231)	(314,026)
Interim dividend paid for the current year	(1,355,270)	(814,302)
	16,182,272	14,447,658
Adjustments	(115,795)	84,263
Unappropriated profit carried forward	16,066,477	14,531,921

PROVISION FOR TAXATION

Provision for taxation has been computed at the rates given in Note 19.8 to the Financial Statements.

SEGMENT REPORTING

A segmental analysis of the activities of the CCS Group is given in Note 06 to the Financial Statements.

RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties are given in Note 41 to the Financial Statements and have complied with the CSE Listing Rules Section 9.1 and Code of Best Practices on Related Party Transactions issued by the SEC under the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987.

Annual Report of the Board of Directors

There were no non-recurrent related party transactions entered into by the Company which exceeds the lower of 10% of equity or 5% of the total assets of the Company as per the latest audited Financial Statements for the year ended 31st March 2023.

There were no recurrent related party transactions, where the aggregate value of the transaction exceeded 10% of the consolidated revenue of the CCS Group as per the latest audited Financial Statements for the year ended 31st March 2023.

The Directors confirm that transactions with related parties in terms of the Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosure have been detailed in Note 41 to the Financial Statements as well as that the requirements as per the listing rules of the CSE have been complied with.

CORPORATE DONATIONS

During the year the CCS Group made donations (including CSR related campaigns) amounting to Rs. 42 million (2022/23 - Rs. 53 million). The CCS Group made no political donations.

DIVIDENDS

A final dividend of Rs. 0.44 per share for the financial year 2022/23 (2021/22 Rs. 0.33 per share) was paid on the 19th of June 2023. An interim dividend of Rs. 1.43 per share for the financial year 2023/24 (2022/23 - interim Rs. 0.86 per share) was paid on 15th March 2024.

The Board of Directors has now approved a final dividend of Rs. 0.89 per share for the financial year 2023/24 to be paid on or before 11th June 2024 to those shareholders on the register as of the 22nd May 2024. In accordance with the Sri Lanka Accounting Standard 10, events after the reporting period, the declared dividend has not been recognized as a liability as at 31st March 2024.

As required by section 56 (2) of the Companies Act, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of Companies Act, and a certificate has been obtained from the Auditors, prior to declaring all dividends.

PROPERTY, PLANT AND EQUIPMENT

The value of property plant and equipment as at the reporting date amounted to Rs. 5,668 million (2022/23 Rs. 5,357 million) for the Company and Rs. 27,746 million (2022/23 - Rs. 27,250 million) for the CCS Group. The details of property, plant and equipment of the Company and the Subsidiaries are shown in Note 20 to the Financial Statements.

CAPITAL EXPENDITURE

The total capital expenditure on acquisition of property, plant and equipment of the Company and the CCS Group amounted to Rs. 325 million and Rs. 2,151 million (2022/23 Rs. 643 million and Rs. 3,700 million) respectively, details of which are given in Note 20 to the Financial Statements. Capital expenditure approved but not provided in the Financial Statements, are given in Note 43 to the Financial Statements. Additions of intangible assets of the Company and the CCS Group during the year amounted to Rs. 511 million and Rs. 1,198 million (2022/23 Rs. 552 million and Rs. 1,232 million) respectively, and all other related movements are disclosed in Note 23 to the Financial Statements.

VALUATION OF LAND, BUILDINGS AND INVESTMENT PROPERTIES

The land and buildings owned by the Group and the Company were revalued by Messrs. P B Kalugalagedara & Associates - Chartered Valuation Surveyors as at 31st December 2023. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties.

The investment property in Trincomalee was revalued as at 31st December 2023 by Messrs. P.B. Kalugalagedara & Associates – Chartered Valuation Surveyors. The land was valued at open market value. The details of the revaluation and relevant accounting policies are provided in Notes 20 and 22 to the Financial Statements respectively.

Details of the Group's real estate as at 31st March 2024, are disclosed in the Group real estate portfolio page 284 of the Annual Report.

INVESTMENTS

Details of investments held by the Company are disclosed in Note 24 to the Financial Statements.

STATED CAPITAL AND REVENUE RESERVES

In compliance with the Companies Act the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issue of shares and calls on shares.

The total Stated Capital of the Company as at 31st March 2024 was Rs. 918 million (31st March 2023 - Rs. 918 million), as given in Note 31 to the Financial Statements.

Revenue Reserve as at 31st March 2024 for the Company and the Group amounted to Rs. 11,672 million (31st March 2023 - Rs. 10,860 million) and Rs. 16,066 million (31st March 2023 - Rs. 14,532 million) respectively. The movement and the composition of the reserve is disclosed in the Statement of Changes in Equity.

UNQUOTED INVESTMENT IN WATERFRONT PROPERTIES (PVT) LTD

As at the reporting date, the Company's holding in Waterfront Properties (Pvt) Ltd (WPL) was diluted to 3.14% (as at 31st March 2023 3.54%) as a result of the direct equity infusion in WPL, by its Parent Company, JKH, as envisaged at the outset of the project. Details of the investment is given in Note 25 to the Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

Events occurring after the reporting period are given in Note 44 to the Financial Statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no material contingent liabilities or capital commitments as at 31st March 2024 except as disclosed in Notes 42 and 43 to the Financial Statements.

OUTSTANDING LITIGATIONS

In the opinion of the Directors and in consultation with the company lawyers, litigations currently pending against the Company and CCS Group will not have a material impact on the reported financial results and future operations of the Company and the CCS Group.

HUMAN RESOURCES

The CCS Group employed 7,357 persons as at 31st March 2024 (31st March 2023 – 7,568). The CCS Group is committed to pursuing various Human Resources initiatives that ensure the individual development of the team as well as facilitating the creation of value for themselves, the CCS Group and all other stakeholders.

There were no material issues pertaining to employees and industrial relations during the year under review.

SYSTEM OF INTERNAL CONTROLS

The Directors acknowledge their responsibility for the system of internal controls of the Company and its Subsidiaries and having conducted a review of internal controls covering financial, operational, compliance and risk management, have obtained reasonable assurance of their effectiveness and successful adherence for the period up to the date of signing the Financial Statements.

CORPORATE GOVERNANCE

Corporate Governance practices and principles with respect to the management and operations of the CCS Group is set out on pages 114 to 163 of the Annual Report. The Directors confirm that the CCS Group complies with the Listing Rules of the CSE on Corporate Governance.

The Directors declare that;

The Company and its Subsidiaries have not engaged in any activities, which contravene laws and regulations.

The Directors have declared all material interests in contracts involving the Company and its Subsidiaries and refrained from voting on matters in which they were materially involved.

The Company has made all endeavours to ensure the equitable treatment of all shareholders.

A review of internal controls covering financial, operational and compliance and risk management has been conducted, and the Directors have obtained a reasonable assurance of their effectiveness and successful adherence.

The Board of Directors are committed to maintaining an effective Corporate Governance structure and process. A detailed report on Corporate Governance is found on pages 114 to 163.

RISK MANAGEMENT

The Board and the Management of the Company and its Subsidiaries have put in place a comprehensive risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle. A detailed overview of the process is outlined in the Enterprise Risk Management Report on pages 164 to 171.

BOARD SUB-COMMITTEES

Audit Committee

The following Non-Executive Independent Directors of the Board served as members of the Audit Committee during the year.

Ms. S T Ratwatte - Chairperson

Mr. M Hamza

Dr. (Ms.) R S W Wijeratnam

The report of the Audit Committee is given on pages 190 to 192 of this Annual Report. The Audit Committee has reviewed the other services provided by the external Auditor to the CCS Group to ensure that their independence as Auditor has not been compromised.

Annual Report of the Board of Directors

HUMAN RESOURCES AND COMPENSATION COMMITTEE

As permitted by the Listing Rules of the CSE, the Human Resources and Compensation Committee of JKH, the Parent Company functions as the Human Resources and Compensation Committee of the Company. The Human Resources and Compensation Committee of JKH comprises of two Independent Non-Executive Directors;

Mr. D A Cabraal - Chairperson

Dr. (Mr.) S S H Wijayasuriya

The Compensation policy is detailed in the Corporate Governance Commentary of the Annual Report.

NOMINATIONS COMMITTEE

The Nominations Committee of the Parent Company JKH as permitted by the Listing Rules of the CSE, functions as the Nominations Committee of the Company and its Subsidiaries.

The Nominations Committee members of the Parent Company are as follows;

Mr. D A Cabraal - Chairperson

Dr. (Ms.) S A Coorey (Appointed w.e.f. 08.11.2023)

Dr. (Mr.) S S H Wijayasuriya

Mr. K N J Balendra

Ms. M P Perera (Retired w.e.f. 01.07.2023)

The Nomination Committee policy is detailed in the Corporate Governance Commentary of this Annual Report.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Related Party Transactions Review Committee of the Parent Company JKH as permitted by the Listing Rules of the CSE, functions as Related Party Transactions Review Committee of the Company and its Subsidiaries.

The Related Party Transactions Review Committee members of the Parent Company JKH are as follows;

Mr. A N Fonseka - Chairperson

Mr. D A Cabraal

Dr. (Ms.) S A Coorey* (Appointed w.e.f. 01.07.2023)

Mr. D V R S Fernando (Appointed w.e.f. 08.11.2023)

Ms. M P Perera (Retired w.e.f. 01.07.2023)

**Ceased to be a member w.e.f. 08.11.2023*

The Related Party Transactions Review Committee policy is detailed in the Corporate Governance Commentary of this Annual Report.

PROJECT RISK ASSESSMENT COMMITTEE

Project Risk Assessment Committee of JKH, the Parent Company functions as the Project Risk Assessment Committee of the Company and its Subsidiaries.

The Project Risk Assessment committee members of the Parent Company are as follows;

Dr. (Mr.) S S H Wijayasuriya - Chairperson

Mr. K N J Balendra

Mr. J G A Cooray

Ms. M P Perera (Retired w.e.f. 01.07.2023)

The Project Risk Assessment Committee policy is detailed in the Corporate Governance Commentary of this Annual Report.

SHARE INFORMATION

An Ordinary Share of the Company was quoted on the CSE at Rs. 53.90 as at 31 March 2024 (Rs. 40.00 as at 31 March 2023). Market price per share is based on the number of shares in issue at the end of each reporting period. Information relating to earnings, dividends, net assets and market value per share is given in the key figures and ratios section on page 284. Information on share trading is given on page 282 of this Annual Report.

SHAREHOLDINGS

There were 3,504 registered shareholders, holding ordinary voting shares as at 31st March 2024 (3,376 registered shareholders as at 31st March 2023). The distribution of shareholdings including the percentage held by the public is given on page 281 of this Annual Report.

FLOAT ADJUSTED MARKET CAPITALISATION

As at 31st March 2024, Company had a float adjusted market capitalization of Rs. 9.5 billion and 3,496 public shareholders (18.55% public shareholdings). Therefore, the Company is compliant under option 1 of the minimum threshold requirements for the Main Board of the CSE as per section 7.6 of the Listing Rules of the CSE.

EQUITABLE TREATMENT TO ALL SHAREHOLDERS

The Company has made every endeavour to ensure the equitable treatment of all shareholders and has adopted adequate measures to prevent information asymmetry.

SUBSTANTIAL SHAREHOLDINGS

The list of the top twenty shareholders is given on page 282 of this Annual Report.

INFORMATION TO SHAREHOLDERS

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the CSE in a timely manner.

DIRECTORATE

The Board of Directors of the Company who served during the year and as at the end of the Financial Year are given below and their brief profiles are given on pages 36 and 37 of this Annual Report.

No other Director held office during the year under review.

Mr. K N J Balendra (Non-Executive, Non-Independent)

Mr. J G A Cooray (Non-Executive, Non-Independent)

Mr. D P Gamlath (Executive)

Mr. K C Subasinghe (Non-Executive, Non-Independent)

Ms. P N Fernando (Executive)

Ms. S T Ratwatte (Non-Executive, Independent)

Mr. M Hamza (Non-Executive, Independent)

Dr. (Ms.) R S W Wijeratnam (Non-Executive, Independent)

The Board of Directors of JMSL who served during the year and as at the end of the Financial Year are given below;

No other Director held office during the period under review.

Mr. J G A Cooray

Mr. K C Subasinghe

Mr. W A D A Wanniarachchi

Ms. N W Tambiah

The Board of Directors of LPI who served during the year and as at the end of the Financial Year are given below;

No other Director held office during the period under review.

Mr. K C Subasinghe

Mr. A Z Hashim

Mr. W A D A Wanniarachchi

The Board of Directors of CICL who served during the year and as at the end of the Financial Year are given below;

No other Director held office during the period under review.

Mr. D P Gamlath

Ms. P N Fernando

RESPONSIBILITY OF THE BOARD

Details of the responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the Corporate Governance section of the Annual Report.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with Article 84 of the Articles of Association of the Company, Ms. P N Fernando and Mr. K C Subasinghe who retire and being eligible will offer themselves for re-election at the Annual General Meeting.

The Company has recommended the re-election of Dr. (Ms) R S W Wijeratnam, who is over the age of 70 years and retires in terms of Section 210 of the Companies Act No.7 of 2007. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act No.7 of 2007 shall not apply to Dr. (Ms.) R S W Wijeratnam who is 71 years old and that she be re-elected as a Director of the Company.

DIRECTORS' INTERESTS IN SHARES

The Directors' (including their spouses) individual shareholdings in the Company as at 31st March 2024 and 31st March 2023 were as follows;

Name of Director	2024 No. of Shares	2023 No. of Shares
Mr. K N J Balendra	819,040	819,040
Mr. J G A Cooray	-	-
Mr. D P Gamlath	-	-
Mr. K C Subasinghe	45,000	45,000
Ms. P N Fernando	-	-
Mr. M Hamza	11,000	11,000
Dr. (Ms.) R S W Wijeratnam	-	-
Ms. S T Ratwatte	26,780	26,780

Annual Report of the Board of Directors

REMUNERATION TO DIRECTORS

Executive Directors' remuneration is established within a framework approved by the Human Resources and Compensation Committee of the Parent Company JKH. 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 are determined according to scales of payment decided upon by the Board previously. Details of Directors' fees and emoluments paid during the year are disclosed in the Note 16 to the Financial Statements.

DIRECTORS' MEETINGS

Details of Directors' meetings are presented on page 122 of this Annual Report.

INTERESTS REGISTER

The Company has maintained an Interests Register. In compliance with the requirements of the Companies Act, this Annual Report contains particulars of entries made in the Interests Register. As the Subsidiaries are Private Limited Companies, who have dispensed with the need to maintain an Interests Register, this Annual Report does not contain the particulars of entries made in the Interests Register of the Subsidiaries.

Interests Register is available at the Registered office of the Company in keeping with the requirement of the section 119 (1) (d) of the Companies Act.

Particulars of entries in the Interests Register for the Financial Year 2023/24.

a) Interests in Contracts - The Directors have all made a General Disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act, and no additional interests have been disclosed by any Director.

b) Share Dealings by Directors - There were no share dealing by the directors during the financial year 2023/24.

c) Indemnities and Remuneration

1. The Board approved the payment of remuneration to the Executive Directors of the Company, namely, Mr. D P Gamlath and Ms. P N Fernando, comprising of
   - A fixed element;
   - A variable element in the form of a short-term Incentive which is based on the individual performance, organization performance and role responsibility based on the results of the financial year 2022/2023; and
   - A long-term Incentive in the form of Employee Share Options at John Keells Holdings PLC

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 John Keells Group remuneration policy.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act. and the Listing Rules of the CSE.

EMPLOYEE SHARE OPTION SCHEME (ESOP)

The Company does not offer its shares under an ESOP Scheme. The ESOP Scheme made available to the Senior Executives of the Company is from the Parent Company, JKH. The Company has not directly or indirectly provided funds to its employees to purchase shares under the ESOP Scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company and the CCS Group has complied with all applicable laws and regulations. A compliance checklist is signed on a quarterly basis by responsible officers and any violations are reported to the Audit Committee and Board of Directors.

SUPPLIER POLICY

The CCS Group endeavours to transact business with reputed organizations capable of offering quality goods and services at competitive prices with a view to build mutually beneficial business relationships.

STATUTORY PAYMENTS

The Directors confirm to the best of their knowledge all taxes, duties and levies payable by the CCS Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the CCS Group and all other known statutory dues as were due and payable by the CCS Group as at the end of the reporting period have been paid or where relevant provided for.

ENVIRONMENT PROTECTION

The CCS Group is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimize the adverse effects on the environment to ensure sustainable continuity of our resources.

INDEPENDENT AUDITORS' APPOINTMENT

The Financial Statements for the year have been audited by Messrs. Ernst & Young Chartered Accountants. The retiring Auditor, Messrs. Ernst & Young have intimated their willingness to continue in office and a resolution to reappoint them as Auditor and authorizing the Directors to determine their remuneration will be proposed at the upcoming Annual General Meeting.

The Audit Committee reviews the reappointment of the Auditors, its effectiveness, independence and its relationship with the CCS Group, including the level of audit and non-audit fees paid to the Auditors. The details of fees paid to the Auditors for the Company and its Subsidiaries are set out in Note 16 to the Financial Statements. As far as the Directors are aware, the Auditors have no other relationship with the Company and its Subsidiaries.

INDEPENDENT AUDITOR'S REPORT

The Auditor's Report is found on pages 194 to 197 of the Annual Report.

APPROVAL OF THE FINANCIAL STATEMENTS

The Audited Financial Statements were approved by the Board of Directors on 20th May 2024. 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.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held as a virtual meeting on the 18th June 2024. The notice of meeting related to the 127th Annual General Meeting is given on pages 289 and 290.

The Annual Report is signed for and on behalf of the Board of Directors by:

D P Gamlath
Director

J G A Cooray
Director

Keells Consultants (Private) Limited
Secretaries

20th May 2024

Audit Committee Report

The Audit Committee is tasked with assisting the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders in relation to the integrity of Financial Statements of the Group, that a good financial reporting system is in place and is well managed in order to give accurate, appropriate and timely information, that it is in accordance with the Companies Act and other legislative reporting requirements and that adequate disclosures are made in the Financial Statements in accordance with the Sri Lanka Accounting Standards.

The powers and responsibilities of the Audit Committee are governed by the Audit Committee Charter, which is approved and adopted by the Board. The terms of reference comply with the requirements of the Corporate Governance Rules as per section 7.10 of the Listing Rules of Colombo Stock Exchange (CSE). The Audit Committee's functions and scope are in compliance with the requirements of the Code of Best Practice on Audit Committee and conducted its affairs in compliance with the requirements of the Code of Best Practice on Audit Committee.

The Audit Committee ensures that the internal controls and the risk management process are effective and adequate to meet the requirements of the Sri Lanka Auditing Standards and that the Group is in compliance with legal, regulatory and ethical requirements.

The Audit Committee assesses the Group's ability to continue as a going concern for the foreseeable future.

The Committee evaluates the performance and the independence of the Internal Auditors and External Auditor. The Committee is also tasked with the responsibility of recommending to the Board the re-appointment or change of the External Auditor and to recommend their remuneration and terms of engagement.

In fulfilling its purpose, the Audit Committee maintains a free and open communication with the independent External Auditor, the outsourced Internal Auditors and the management of the Company and the Subsidiaries to ensure that all parties are aware of their responsibilities.

The Audit Committee is empowered to carry out any investigations it deems necessary and review all internal control systems and procedures, compliance reports, risk management reports etc. to achieve the objectives as stated above.

The Committee has reviewed and discussed with the management and the External Auditor the audited Financial Statements for the year ended 31st March 2024 as well as matters relating to the Group's internal control over financial reporting, key judgement and estimates in the preparation of Financial Statements and the processes that support certification of the Financial Statements by the Directors and the Chief Financial Officer (CFO).

The committee also reviews and approves the quarterly unaudited Financial Statements.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board of Directors appointed by and responsible to the Board of Directors.

The Audit Committee consists of three Independent, Non-Executive Directors in conformity with the listing rules of Colombo Stock Exchange, who are;

1. Ms. S T Ratwatte – Chairperson
2. Mr. M Hamza
3. Dr. (Ms.) R S W Wijeratnam

The Audit Committee comprises of individuals with extensive experience and expertise in the fields of Finance, Corporate Management, Economics, Food Technology and Marketing. The Chairperson of the Audit Committee is a Chartered Management Accountant. A brief profile of each member of the Audit Committee is given on pages 36 and 37 of this report under the section Board of Directors.

MEETINGS OF AUDIT COMMITTEE

The Audit Committee meets as often as may be deemed necessary or appropriate in its judgment, and at least quarterly each year. During the year under review, there were seven (7) meetings attended by the Committee members and they are given below;

3 meetings were held via MS Teams and 4 were held physically.

Name	4th May 2023	14th July 2023	29th July 2023	26th October 2023	28th November 2023	23rd January 2024	5th March 2024	Total Attendance
Ms. S T Ratwatte	✓	✓	✓	✓	✓	✓	✓	7/7
Mr. M Hamza	✓	✓	✓	✓	✓	✓	✓	7/7
Dr. (Ms.) R S W Wijeratnam	✓	✓	✓	✓	✓	✓	✓	7/7

AUDIT COMMITTEE ATTENDANCE

The Presidents, the Chief Financial Officers, the Head of JKH Group Business Process Review and the Heads of the Categories attended such meetings by invitation and briefed the Committee on specific issues. The External Auditor and Internal Auditors were also invited to attend meetings when necessary. The Chairperson of the Audit Committee reports the proceedings of the Audit Committee to the Board of Directors.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

Oversight of Company and Consolidated Financial Statements

The Committee reviewed with the Independent External Auditor who is responsible for expressing an opinion on the truth and fairness of the audited Financial Statements and their conformity with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).

The Committee also reviewed the accounting policies of the Company and the Group and such other matters as are required to be discussed with the independent External Auditor in compliance with Sri Lanka Auditing Standard 260 – Communication of Audit Matters with those charged with governance. The quarterly Financial Statements were also reviewed by the Committee and recommended their adoption to the Board.

The Committee also reviewed the process to assess the effectiveness of the internal financial controls that have been designed to provide reasonable assurance to the Directors that the financial reporting system can be relied upon in preparation and presentation of the Financial Statements of the Company and the Group.

INTERNAL AUDIT

The Committee monitors the effectiveness of the internal audit function and is responsible for approving their appointment or removal and to ensure they have adequate access to information required to conduct their audits.

The internal audit function of the Company is outsourced to Messrs. Deloitte Advisory Services (Pvt) Ltd, a firm of Chartered Accountants and that of Subsidiary, Jaykay Marketing Services (Pvt) Ltd is outsourced to BDO Partners – Chartered Accountants and the Subsidiary The Colombo Ice Company (Pvt) Ltd is outsourced to Messrs. Deloitte Advisory Services (Pvt) Ltd.

The Audit Committee has agreed with the Internal Auditors as to the frequency of audits to be carried out, the scope of the audit and the fee to be paid for their services.

During the year under review, the Audit Committee has met the Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of internal controls and audit recommendations.

The internal audit frequency depends on the risk profile of each area, higher risk areas being on a shorter audit cycle. The Audit Committee is of the opinion that the above approach provides an optimal balance between the need to manage risk and the costs thereof.

RISK AND CONTROL REVIEW

The Audit Committee has reviewed the business risk management process and procedures adopted by the Group to manage and mitigate the effects of such risks and observe that the risk analysis exercise had been conducted within the Group. The key risks that could impact operations had been identified and appropriate actions have been taken to mitigate their impact to the minimum extent.

EXTERNAL AUDIT

The External Auditor of the Company and of the Subsidiaries, Messrs. Ernst & Young, Chartered Accountants, submitted a detailed audit plan for the financial year 2023/24, which specified, inter alia, the areas of operations to be covered in respect of the Company and the Subsidiaries.

Audit Committee Report

The audit plan specified 'areas of special emphasis' which had been identified from the last audit and from a review of current operations. The Audit Committee had meetings with the External Auditor to review the scope, timelines of the audit plan and approach for the audits.

The areas of special emphasis had been selected due to the probability of error and the material impact it can have on the Financial Statements. At the conclusion of the audit, the External Auditor met with the Audit Committee to discuss and agree on the treatment of any matters of concern discovered in the course of the audit and also to discuss the Audit Management Letters. Actions taken by the management in response to the issues raised were discussed with the Sector President. There were no issues of significance during the year under review.

The Audit Committee also reviewed the audit fees of the External Auditor of the Company and of the Subsidiaries and recommended its adoption by the Board. It also reviewed the other services provided by the Auditors in ensuring that their independence as an Auditor was not compromised.

The Audit Committee has received a declaration from Messrs. Ernst & Young as required by the Companies Act, No. 07 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, be recommended for reappointment as Auditor for the year ending 31st March 2025, at the next Annual General Meeting.

COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

The Audit Committee receives a quarterly declaration from the President, Head of Categories, Head of Supply Chain and the Chief Financial Officer, listing any departures from financial reporting, statutory requirements and Group policies. Reported exceptions, if any, are followed up to ensure that appropriate corrective action has been taken.

With a view of ensuring uniformity of reporting, the Group has adopted the standardised format of Annual Financial Statements developed by the Parent Company.

SUPPORT TO THE COMMITTEE

The Committee received the necessary support and information from the management of the Company and the Subsidiaries during the year to enable them to carry out their duties and responsibilities effectively.

EVALUATION OF COMMITTEE

The Audit Committee formally evaluated the performance of the Committee as well as the individual contribution of each member. Steps have been taken to address the matters highlighted following such evaluation.

CONCLUSION

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Company and the Subsidiaries in the implementation of the accounting policies and operational controls provide reasonable assurance that the affairs of the Company and the Subsidiaries are managed in accordance with accepted policies and that assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Group's Internal and External Auditors have been effective and independent throughout the period under review.

S T Ratwatte
Chairperson, Audit Committee

20th May 2024

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 Auditor in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007, is set out in the Independent Auditors' Report on pages 194 to 197 of the Annual Report.

As per the provisions of the Companies Act, No. 07 of 2007 the Directors are required to prepare, for each financial year and place before a General Meeting, Financial Statements which comprise of;

- An Income Statement, which presents a true and fair view of the profit or loss of the Company for the financial year; and
- A Statement of Other Comprehensive Income; and
- A Statement of Financial Position,

which presents a true and fair view of the state of affairs of the Company as at the end of the financial year.

The Directors have ensured that, these 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
- All applicable Accounting Standards (SLFRS/LKAS) as relevant have been applied; and
- Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provided the information required by and otherwise comply with the Companies Act, No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company and its Subsidiaries have 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 and its Subsidiaries maintain sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the CCS Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the CCS Group, and in this regard to give a 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 Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider being appropriate to enable them to give their audit opinion.

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 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 end of the reporting period have been paid or, where relevant provided for except as specified in Note 42 to the Financial Statements covering contingent liabilities.

By Order of the Board

Keells Consultants (Private) Limited
Secretaries

20th May 2024

Independent Auditor's Report

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

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Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ceylon Cold Stores PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ceylon Cold Stores PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Existence and carrying value of inventory As at 31 March 2024, the carrying value of inventory amounted to Rs. 12,559 million net of provision for slow moving inventories of Rs.300 million as disclosed in note 27 to the financial statements. Existence and carrying value of inventory was a key audit matter due to: ➤ the materiality of the reported inventory balance which represented 17% of the Group's total assets as of the reporting date; and ➤ judgements applied by the management on the condition of inventory due to wastage, spoilages, shelf life of products, slow-moving and seasonal products and other compliance requirements as disclosed in note 27 to the financial statements.	Our audit procedures included the following key procedures: ➤ observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported. ➤ tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices. ➤ assessed the reasonableness of management judgements applied in determining that the provision is based on the condition of inventory in relation to wastage, spoilages, shelf life of products, slow moving and seasonal products and due to other compliance requirements. We also evaluated the adequacy of the disclosures in note 27 to the financial statements.
Assessment of fair value of the equity investment classified as Fair Value through Other Comprehensive Income (FVOCI) Non-current financial assets of the Group consist of an unquoted equity investment in Waterfront Properties (Pvt) Ltd in accordance with the accounting policy disclosed in note 11 to the financial statements. The fair value is determined by management based on the discounted cash flow approach, which is derived based on the projected cash flows of Waterfront Properties (Pvt) Ltd. This was a Key Audit Matter due to: ➤ the materiality of the reported unquoted equity investment balance which amounted to Rs. 5,735 million and represented 8% of the Group's total assets as of the reporting date; and ➤ the degree of assumptions, judgements and estimates associated in deriving the Discounted Cash Flows used in the unquoted equity investment valuation. Key areas of significant management judgements, estimates and assumptions used in the valuation of unquoted equity investment include cash flow projections and unobservable inputs including revenue growth rate, EBITDA margins, discount rate, etc. as further disclosed in note 25.3 to the financial statements.	Our audit procedures focused on the valuation of the investment performed by the management, and included the following key procedures: ➤ assessed the appropriateness of the valuation technique and reasonableness of the cash flow forecast including significant assumptions, judgements and estimates such as revenue growth rate and EBITDA margins, discount rate, etc. used by the management to ascertain the fair value of the unquoted equity investments. Our evaluation involved the use of comparable market data considering the impacts of the economic conditions prevailing in the country. ➤ evaluated the appropriateness and completeness of the information included in the cashflow forecast and checked the calculations of discounted cash flows. Further, we evaluated the adequacy of the related disclosures in note 25.3 to the financial statements.

Independent Auditor's Report

Other information included in the 2023/24 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

Ernst & Young

20th May 2024
Colombo

Income Statement

For the year ended 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
Continuing operations					
Goods transferred at a point in time	12.2	139,624,941	126,149,112	21,504,015	19,006,937
Total revenue from contracts with customers		139,624,941	126,149,112	21,504,015	19,006,937
Cost of sales		(122,127,480)	(113,400,247)	(14,660,516)	(14,935,067)
Gross profit		17,497,461	12,748,865	6,843,499	4,071,870
Dividend income	13	-	-	1,119,787	814,637
Other operating income	14.1	2,953,720	2,598,920	813,411	792,098
Selling and distribution expenses		(4,965,306)	(3,992,756)	(3,264,629)	(2,647,215)
Administrative expenses		(4,879,953)	(3,830,270)	(1,260,595)	(901,209)
Other operating expenses	14.2	(2,450,526)	(1,339,755)	(708,847)	(465,423)
Results from operating activities		8,155,396	6,185,004	3,542,626	1,664,758
Finance cost	15	(3,354,385)	(4,100,973)	(431,735)	(475,372)
Finance income	15	108,010	134,290	46,113	54,481
Net finance cost		(3,246,375)	(3,966,683)	(385,622)	(420,891)
Change in fair value of investment property	22.1	21,869	21,063	16,955	24,148
Profit before tax	16	4,930,890	2,239,384	3,173,959	1,268,015
Tax (expense) / reversal	19.1	(1,504,038)	273,284	(512,076)	(118,545)
Profit for the year		3,426,852	2,512,668	2,661,883	1,149,470
Attributable to:					
Equity holders of the parent		3,426,852	2,512,668		
		Rs.	Rs.		
Earnings per share					
Basic / Diluted	17	3.61	2.64		
Dividend per share	18	1.87	1.19		

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 205 to 280 form an integral part of these Financial Statements.

Statement of Comprehensive Income

		GROUP		COMPANY	
For the year ended 31st March	**Notes**	**2024 Rs.'000**	**2023 Rs.'000**	**2024 Rs.'000**	**2023 Rs.'000**
Profit for the year		3,426,852	2,512,668	2,661,883	1,149,470
Other comprehensive income					
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Re-measurement gain / (loss) on defined benefit plans	36.3	(163,698)	111,278	(104,841)	97,099
Revaluation of land and buildings	20.1	436,393	785,965	122,674	443,207
Loss on equity instruments at fair value through other comprehensive income	25.3	(542,599)	(928,132)	(542,599)	(928,132)
Net other comprehensive income not to be reclassified to income statement in subsequent periods		(269,904)	(30,889)	(524,766)	(387,826)
Tax charge on other comprehensive income		(83,014)	(114,822)	(5,350)	(7,872)
Tax charge on other comprehensive income - Tax rate change		-	(79,661)	-	(45,952)
Tax charge on other comprehensive income including tax rate change	19.2	(83,014)	(194,483)	(5,350)	(53,824)
Other comprehensive income for the year, net of tax		(352,918)	(225,372)	(530,116)	(441,650)
Total comprehensive income for the year, net of tax		3,073,934	2,287,296	2,131,767	707,820
Attributable to:					
Equity holders of the parent		3,073,934	2,287,296	2,131,767	707,820

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 205 to 280 form an integral part of these Financial Statements.

Statement of Financial Position

		GROUP		COMPANY	
For the year ended 31st March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	20.1	27,745,731	27,250,176	5,668,027	5,357,019
Right-of-use assets	21.1.1	10,016,369	9,771,877	44,198	45,800
Investment property	22.1	667,741	645,872	358,353	341,398
Intangible assets	23.1	4,484,659	3,601,044	1,542,106	918,149
Investment in subsidiaries	24.1	-	-	2,968,410	2,968,410
Deferred tax asset	19.3.1	-	272,497	-	-
Non-current financial assets	25.1	6,270,914	6,672,817	6,035,916	6,473,957
Other non-current assets	26	1,129,605	1,086,005	39,714	113,656
		50,315,019	49,300,288	16,656,724	16,218,389
Current assets					
Inventories	27	12,559,344	14,490,380	2,714,839	3,236,540
Trade and other receivables	28	7,224,371	5,089,001	3,251,448	2,421,496
Amounts due from related parties	41.1	160,215	28,048	257,672	243,885
Income tax recoverable	19.4.1	123,304	117,922	-	-
Other current assets	29	1,200,329	1,207,598	486,732	120,031
Short-term investments	30	-	243,742	-	-
Cash in hand and at bank		2,161,159	1,253,061	555,177	338,100
		23,428,722	22,429,752	7,265,868	6,360,052
Total assets		73,743,741	71,730,040	23,922,592	22,578,441
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	31	918,200	918,200	918,200	918,200
Revenue reserves	32	16,066,477	14,531,921	11,671,714	10,859,721
Other components of equity	33	3,466,020	3,627,342	2,378,181	2,800,033
Total equity		20,450,697	19,077,463	14,968,095	14,577,954
Non-current liabilities					
Interest-bearing loans and borrowings	35.2	3,163,570	6,850,410	746,614	227,802
Lease liabilities	21.1.2	10,689,948	9,963,144	2,375	2,415
Deferred tax liabilities	19.3	2,826,606	1,929,186	1,151,330	800,371
Employee benefit liabilities	36.1	1,087,876	754,113	575,183	398,975
Other non-current liabilities	37	111,259	104,035	111,259	104,035
		17,879,259	19,600,888	2,586,761	1,533,598
Current liabilities					
Trade and other payables	38	17,451,342	14,326,303	2,272,030	2,080,873
Amounts due to related parties	41.2	1,323,624	1,010,338	450,220	451,641
Income tax liabilities	19.4	256,327	105,582	197,886	105,582
Short-term borrowings	40	900,000	1,185,340	500,000	237,178
Interest-bearing loans and borrowings	35.2	4,503,050	2,170,096	243,050	101,400
Lease liabilities	21.1.2	690,721	652,711	40	38
Other current liabilities	39	2,019,824	1,291,062	665,895	349,885
Bank overdrafts		8,268,897	12,310,257	2,038,615	3,140,292
		35,413,785	33,051,689	6,367,736	6,466,889
Total equity and liabilities		73,743,741	71,730,040	23,922,592	22,578,441

I certify that the financial statements comply with the requirements of the Companies Act, No. 07 of 2007.

P N Fernando
Chief Financial Officer / Director

The Board of directors is responsible for these financial statements.

D P Gamlath
Director

J G A Cooray
Director

The accounting policies and notes as set out on pages 205 to 280 form an integral part of these Financial Statements.

20th May 2024
Colombo

Statement of Changes in Equity

	Attributable to equity holders of the Parent					
For the year ended 31st March	Stated capital Rs.'000	Revaluation reserve Rs.'000	Other capital reserves Rs.'000	Fair value reserve of financial assets at FVOCI* Rs.'000	Revenue reserve Rs.'000	Total equity Rs.'000
Group						
As at 1 April 2022	918,200	1,492,170	576,488	1,808,000	13,063,318	17,858,176
Profit for the year	-	-	-	-	2,512,668	2,512,668
Other comprehensive income	-	550,174	-	(773,912)	78,027	(145,711)
Tax impact on rate change	-	(200,220)		114,323	6,236	(79,661)
Total comprehensive income	-	349,954	-	(659,589)	2,596,931	2,287,296
Share based payment transactions	-	-	60,319	-	-	60,319
Preference share dividend paid - 2021/22	-	-	-	-	(14)	(14)
Final dividend paid - 2021/22	-	-	-	-	(314,012)	(314,012)
Interim dividend paid - 2022/23	-	-	-	-	(814,302)	(814,302)
As at 31 March 2023	918,200	1,842,124	636,807	1,148,411	14,531,921	19,077,463
As at 1 April 2023	918,200	1,842,124	636,807	1,148,411	14,531,921	19,077,463
Profit for the year	-	-	-	-	3,426,852	3,426,852
Other comprehensive income	-	305,476	-	(542,599)	(115,795)	(352,918)
Total comprehensive income	-	305,476	-	(542,599)	3,311,057	3,073,934
Share based payment transactions	-	-	75,801	-	-	75,801
Preference share dividend paid - 2022/23	-	-	-	-	(14)	(14)
Final dividend paid - 2022/23	-	-	-	-	(421,217)	(421,217)
Interim dividend paid - 2023/24	-	-	-	-	(1,355,270)	(1,355,270)
As at 31 March 2024	918,200	2,147,600	712,608	605,812	16,066,477	20,450,697
Company						
As at 1 April 2022	918,200	1,133,252	346,680	1,808,000	10,765,044	14,971,176
Profit for the year	-	-	-	-	1,149,470	1,149,470
Other comprehensive income	-	310,245	-	(773,912)	67,969	(395,698)
Tax impact on rate change	-	(165,841)	-	114,323	5,566	(45,952)
Total comprehensive income	-	144,404	-	(659,589)	1,223,005	707,820
Share based payment transactions	-	-	27,286	-	-	27,286
Final dividend paid - 2021/22	-	-	-	-	(314,012)	(314,012)
Preference share dividend paid - 2021/22	-	-	-	-	(14)	(14)
Interim dividend paid - 2022/23	-	-	-	-	(814,302)	(814,302)
As at 31 March 2023	918,200	1,277,656	373,966	1,148,411	10,859,721	14,577,954
As at 1 April 2023	918,200	1,277,656	373,966	1,148,411	10,859,721	14,577,954
Profit for the year	-	-	-	-	2,661,883	2,661,883
Other comprehensive income	-	85,872	-	(542,599)	(73,389)	(530,116)
Total comprehensive income	-	85,872	-	(542,599)	2,588,494	2,131,767
Share based payment transactions	-	-	34,875	-	-	34,875
Final dividend paid - 2022/23	-	-	-	-	(421,217)	(421,217)
Preference share dividend paid - 2022/23	-	-	-	-	(14)	(14)
Interim dividend paid - 2023/24	-	-	-	-	(1,355,270)	(1,355,270)
As at 31 March 2024	918,200	1,363,528	408,841	605,812	11,671,714	14,968,095

*Fair value through Other Comprehensive Income
Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 205 to 280 form an integral part of these Financial Statements.

Statement of Cash Flows

		GROUP		COMPANY	
For the year ended 31st March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
OPERATING ACTIVITIES					
Profit before working capital changes	A	12,859,885	10,280,939	3,408,451	1,514,147
(Increase) / decrease in inventories		1,872,946	(5,437,657)	450,411	(1,041,210)
(Increase) / decrease in trade and other receivables		(2,363,835)	(1,069,825)	(830,281)	(266,994)
(Increase) / decrease in amounts due from related parties		(132,167)	(25,020)	(13,787)	(36,642)
(Increase) / decrease in other current assets		(1,969)	300,326	(375,939)	147,715
Increase / (decrease) in trade and other payables		3,125,039	1,971,631	191,157	(635,619)
Increase / (decrease) in amounts due to related parties		313,286	306,269	(1,421)	401,508
Increase / (decrease) in other current liabilities		728,241	259,154	315,489	(49,169)
Increase / (decrease) in other non-current liabilities		7,224	7,852	7,224	7,852
Cash generated from operations		16,408,650	6,593,669	3,151,304	41,588
Finance income received		77,679	99,190	16,685	16,019
Finance expenses paid		(2,177,765)	(2,955,213)	(431,597)	(475,220)
Tax paid	19.1 & 19.4	(262,534)	(296,848)	(64,925)	(108,578)
Surcharge tax paid		-	(248,978)	-	(248,978)
Employee benefit (gratuity) paid	36.3	(82,380)	(66,860)	(41,075)	(49,500)
Net cash flow from operating activities		13,963,650	3,124,960	2,630,392	(824,669)
INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	20.1	(2,151,033)	(3,700,188)	(324,906)	(643,491)
Purchase of intangible assets		(1,198,359)	(1,232,476)	(511,160)	(551,655)
Proceeds from sale of property, plant and equipment		38,012	133,121	7,078	393
Acquisition of a PET bottling and can manufacturing facility	8.1	(749,044)	-	(749,044)	-
Dividend income received	13	-	-	1,119,787	814,637
Net cash flow used in investing activities		(4,060,424)	(4,799,543)	(458,245)	(380,116)
FINANCING ACTIVITIES					
Dividend paid to equity holders of parent	18	(1,776,487)	(1,128,314)	(1,776,487)	(1,128,314)
Dividend paid to preference shareholders	17	(14)	(14)	(14)	(14)
Proceeds from interest bearing loans and borrowings	35.1	758,212	708,754	758,212	8,754
Repayment of interest bearing loans and borrowings	35.1	(2,112,098)	(2,175,269)	(97,750)	(51,850)
Repayment of lease liabilities	21.1.2	(1,781,783)	(1,649,299)	(176)	(176)
Proceeds from / (repayment of) short term borrowings (net)	40	(285,340)	(814,660)	262,822	237,178
Net cash flow used in financing activities		(5,197,510)	(5,058,802)	(853,393)	(934,422)

For the year ended 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		4,705,716	(6,733,385)	1,318,754	(2,139,207)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(10,813,454)	(4,080,069)	(2,802,192)	(662,985)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(6,107,738)	(10,813,454)	(1,483,438)	(2,802,192)
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments (Less than 3 months)		-	243,742	-	-
Cash in hand and at bank		2,161,159	1,253,061	555,177	338,100
Unfavourable balances					
Bank overdrafts		(8,268,897)	(12,310,257)	(2,038,615)	(3,140,292)
Total cash and cash equivalents		(6,107,738)	(10,813,454)	(1,483,438)	(2,802,192)
Note A					
Profit before working capital changes					
Profit before tax		4,930,890	2,239,384	3,173,959	1,268,015
Adjustments for:					
Finance income	15	(108,010)	(134,290)	(46,113)	(54,481)
Finance cost	15	3,354,385	4,100,973	431,735	475,372
Dividend income	13	-	-	(1,119,787)	(814,637)
Change in fair value of investment property	22.1	(21,869)	(21,063)	(16,955)	(24,148)
Depreciation of property, plant and equipment	20.1	2,551,453	2,376,723	644,641	607,537
Amortisation of right-of-use assets	21.1.1	1,192,456	1,152,850	1,602	1,602
Foreign exchange (gain) / loss on lease liability	21.1.2	(14,542)	11,854	-	-
Amortisation of intangible assets	23.1	550,451	413,668	122,910	51,590
(Gain) / loss on sale of property, plant and equipment and ROU assets	14	16,699	39,576	(854)	(310)
Share based payment expense	34	75,801	60,319	34,875	27,286
Employee benefit provisions and related costs	36.2	252,010	29,345	112,007	(9,700)
Provision for / (reversal of) slow moving inventory	27.1	58,090	22,158	71,290	(3,589)
Impairment of trade and other receivables	28	22,071	(10,558)	(859)	(10,390)
		12,859,885	10,280,939	3,408,451	1,514,147

Cash and cash equivalents in the statement of financial position comprise of cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 205 to 280 form an integral part of these Financial Statements.

Index to Notes

Notes to the Financial Statements

CORPORATE AND GROUP INFORMATION

1. CORPORATE INFORMATION

Reporting entity

Ceylon Cold Stores PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Principal place of business of the Company is located at 148, Vauxhall Street, Colombo 02. The manufacturing facilities for the production of Beverages and Frozen Confectionery are located at Ranala, Kaduwela.

Ordinary shares of the Company are listed on the Colombo Stock Exchange.

Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31st March 2024, comprise "the Company" referring to Ceylon Cold Stores PLC (CCS) as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31st March 2024 were authorised for issue by the Directors 20th May 2024.

Principal Activities and Nature of Operations

Company

The principal activity of the Company is the manufacture, marketing and sales of Beverages and Frozen Confectionery.

Subsidiaries

Jaykay Marketing Services (Pvt) Ltd

The principal activity of the wholly-owned subsidiary, Jaykay Marketing Services (Pvt) Ltd (JMSL) is owning and operating a chain of supermarkets and "Nexus Mobile" loyalty programme. The registered office of the Company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Principal place of business of the Company is located at 148, Vauxhall Street, Colombo 02.

LogiPark International (Pvt) Ltd

LogiPark International (Pvt) Ltd (LPI) is a wholly owned subsidiary of JMSL. LPI was incorporated on 06th July 2018 to construct and operate a 260,000 sq. ft. mega logistics center on a 9-acre land in Kerawalapitiya. The lease agreement for the respective land was awarded by the Cabinet of Ministers to John Keells Logistics (Pvt) Ltd, and was signed between John Keells Logistics (Pvt) Ltd and Sri Lanka Land Reclamation and Development Corporation and was subsequently sub-leased to LPI. The Company has also qualified for Section 17 of the Board of Investment (BOI) Act to execute the project.

The Colombo Ice Company (Pvt) Ltd

The principal activity of the Company is the manufacture, marketing and sales of Frozen Confectionery. The registered office of the Company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Principal place of business of the Company is located at 148, Vauxhall Street, Colombo 02. The manufacturing facility of the Company is located at Seethawaka Industrial Zone, Avissawella.

There was no significant change in the nature of the principal activities of the Group during the financial year under review other than mentioned above.

Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is John Keells Holdings PLC.

The Directors are of the opinion that the Company's ultimate parent undertaking and controlling party is John Keells Holdings PLC which is incorporated in Sri Lanka.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility on page 193 in the Annual Report.

Statement of Compliance

The Financial Statements which comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act, No. 07 of 2007.

Notes to the Financial Statements

BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for the land, buildings, investment properties and financial assets at fair value through other comprehensive income.

Going Concern

The Group has prepared the Financial Statements for the year ended 31 March 2024 on the basis that it will continue to operate as a going concern. Based on available information, the management has assessed prevailing macroeconomic conditions and their effect on the CCS Group companies in determining the going concern basis for preparation of Financial Statements.

The management has formed judgment that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above, significant management judgement, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Presentation and Functional Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.), the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

All values are rounded to the nearest Rupees thousand (Rs. '000) except when otherwise indicated.

The significant accounting policies are discussed with relevant individual notes.

Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note have been applied consistently by the Group.

Other significant accounting policies not covered with individual notes.

Following accounting policies which have been applied consistently by the Group, are considered to be significant but are not covered in any other sections.

Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/ non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is considered as current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

Foreign Currency translation, foreign currency transactions and balances

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the Consolidated Financial Statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the Financial Statements. The Group based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The line items which have most significant effect on accounting, judgements, estimates and assumptions are as follows;

a) Valuation of property, plant and equipment and investment property (Note 20 and Note 22)

b) Impairment of intangible assets (Note 23)

c) Share based payments (Note 34)

d) Taxes (Note 19)

e) Employee benefit liability (Note 36)

f) Provision for expected credit losses of trade receivables (Note 28)

g) Right-of-use assets and lease liabilities (Note 21)

h) Valuation of unquoted equity investments (Note 25)

i) Going concern basis (Note 02)

Notes to the Financial Statements

5. CHANGES IN ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

Changes in accounting standards

The following amendments and improvements do not expect to have a significant impact on the Group's Financial Statements.

- Amendments to LKAS 1 : Disclosure of Accounting Policies
- Amendments to LKAS 8 : Definition of Accounting Estimate
- Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Standards issued but not yet effective

The following amendments and improvements are not expected to have a significant impact on the Group's Financial Statements.

- Amendments to LKAS 1 : Classification of Liabilities as Current
- Amendments to LKAS 1 : Non-Current Liabilities with Covenants
- Amendments to LKAS 7 and SLFRS 7 : Supplier Finance Arrangements
- Amendments to SLFRS 16 : Lease Liability in a Sale and Leaseback
- Amendment to LKAS 21 : Lack of Exchangeability
- Amendments to SLFRS 10 and LKAS 28 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

6 OPERATING SEGMENT INFORMATION

Accounting policy

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The operating segments represent this business structure.

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

As such for management purposes, the Group is organized into business units based on their products and services and has two operating business segments as manufacturing and supermarkets.

The measurement policies the Group uses for segment reporting under SLFRS 8 are the same as those used in its Financial Statements.

The manufacturing business is mainly carried out by the Company and fully owned subsidiary, The Colombo Ice Company (Pvt) Ltd. Supermarkets are carried out by the fully-owned Subsidiary Jaykay Marketing Services (Pvt) Ltd and its fully owned subsidiary LogiPark International (Pvt) Ltd.

Each of these operating segments are managed by Presidents acting as segment managers namely;

- Manufacturing segment – President, Consumer Foods Sector
- Supermarkets segment – President, Supermarket Sector

These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

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. All Inter-Segment transfers are carried out at arm's length prices.

The following tables present revenue and profit information regarding the Group's operating segments.

6.1 Business segments

	Manufacturing		Supermarkets		Total	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Goods transferred at a point in time						
-External revenue	28,591,336	26,376,329	111,033,605	99,772,783	139,624,941	126,149,112
-Inter segment revenue	1,529,975	1,322,490	2,030,222	1,950,248	3,560,197	3,272,738
Total segment revenue from contracts with customers	30,121,311	27,698,819	113,063,827	101,723,031	143,185,138	129,421,850
Elimination					(3,560,197)	(3,272,738)
Net segment revenue from contracts with customers	30,121,311	27,698,819	113,063,827	101,723,031	139,624,941	126,149,112
Segment operating profit	4,879,884	2,642,017	4,384,140	4,492,958	9,264,024	7,134,975
Finance costs	(588,060)	(783,393)	(2,766,325)	(3,317,580)	(3,354,385)	(4,100,973)
Finance income	47,839	54,545	60,171	79,745	108,010	134,290
Change in fair value of investment property	16,955	24,148	4,914	(3,085)	21,869	21,063
Eliminations / adjustments					(1,108,628)	(949,971)
Profit before tax	4,356,618	1,937,317	1,682,900	1,252,038	4,930,890	2,239,384
Tax (expense) / credit**	(871,800)	636,088	(632,238)	(362,804)	(1,504,038)	273,284
Profit for the year	3,484,818	2,573,405	1,050,662	889,234	3,426,852	2,512,668
Purchase and construction of property, plant and equipment*	514,652	737,090	1,636,381	2,963,098	2,151,033	3,700,188
Addition to intangible assets*	511,160	552,745	687,199	679,731	1,198,359	1,232,476
Depreciation of property, plant and equipment	879,861	831,202	1,671,592	1,545,521	2,551,453	2,376,723
Amortization of intangible assets	126,385	54,979	424,066	358,689	550,451	413,668
Amortisation of right-of-use assets	6,893	6,627	1,185,563	1,146,223	1,192,456	1,152,850
Employee benefit provisions and related costs	116,101	(7,620)	135,909	36,965	252,010	29,345

*Excludes the acquisition of a PET Bottling and Can Manufacturing Facility

**Supermarket segment tax expense includes tax on consolidation adjustment

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

6.2 Disaggregation of revenue - Geographical segment analysis (by location of customers)

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Sri Lanka	138,599,446	125,182,028	20,660,048	18,217,242
Outside Sri Lanka	1,025,495	967,084	843,967	789,695
Total revenue from contracts with customer	139,624,941	126,149,112	21,504,015	19,006,937

Notes to the Financial Statements

6.3 Following is a reconciliation of the amounts in the Statement of Financial Position for the reportable segments

	Manufacturing		Supermarkets		Total	
As at 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
ASSETS						
Non-current assets						
Property, plant and equipment	9,426,418	9,120,094	18,326,575	18,137,344	27,752,993	27,257,438
Right-of-use assets	255,368	262,261	9,761,001	9,509,616	10,016,369	9,771,877
Investment property	358,353	341,398	309,388	304,474	667,741	645,872
Intangible assets	1,554,173	933,692	2,815,480	2,552,346	4,369,653	3,486,038
Deferred tax asset	-	272,497	-	-	-	272,497
Non-current financial assets	6,059,659	6,503,141	211,255	169,676	6,270,914	6,672,817
Other non-current assets	48,314	122,840	1,081,291	963,165	1,129,605	1,086,005
Segment non-current assets	17,702,285	17,555,923	32,504,990	31,636,621	50,207,275	49,192,544
Goodwill					115,006	115,006
Eliminations / adjustments					(7,262)	(7,262)
Total non-current assets	17,702,285	17,555,923	32,504,990	31,636,621	50,315,019	49,300,288
Current assets						
Inventories	3,832,572	4,348,689	8,755,273	10,179,167	12,587,845	14,527,856
Trade and other receivables	4,393,407	3,416,010	2,894,718	1,672,991	7,288,125	5,089,001
Amounts due from related parties	257,672	244,137	291,424	209,906	549,096	454,043
Other current assets	599,133	206,825	601,196	1,000,773	1,200,329	1,207,598
Income tax recoverable	120,658	115,125	2,646	2,797	123,304	117,922
Short-term investments	-	-	-	243,742	-	243,742
Cash in hand and at bank	660,251	350,575	1,498,725	902,486	2,158,976	1,253,061
Eliminations / adjustments	-	-	-	-	(478,953)	(463,471)
Total segment current assets	9,863,693	8,681,361	14,043,982	14,211,862	23,428,722	22,429,752
Total assets	27,565,978	26,237,284	46,548,972	45,848,483	73,743,741	71,730,040
LIABILITIES						
Non-current liabilities						
Interest bearing loans and borrowings	746,614	227,802	2,416,956	6,622,608	3,163,570	6,850,410
Lease liabilities	135,357	155,886	10,554,591	9,807,258	10,689,948	9,963,144
Deferred tax liabilities	1,255,556	800,371	1,571,050	1,128,815	2,826,606	1,929,186
Employee benefit liabilities	591,654	409,250	496,222	344,863	1,087,876	754,113
Other non-current liabilities	111,259	104,035	-	-	111,259	104,035
Total segment non-current liabilities	2,840,440	1,697,344	15,038,819	17,903,544	17,879,259	19,600,888
Current liabilities						
Trade and other payables	3,037,869	2,645,350	14,549,438	11,680,951	17,587,307	14,326,301
Amounts due to related parties	567,076	534,521	1,071,031	899,774	1,638,107	1,434,295
Income tax liabilities	197,886	105,582	58,441	-	256,327	105,582
Short-term borrowings	500,000	485,340	400,000	700,000	900,000	1,185,340
Interest bearing loans and borrowings	243,050	101,400	4,260,000	2,068,696	4,503,050	2,170,096
Lease liabilities	3,141	438	687,580	652,273	690,721	652,711
Other current liabilities	822,164	423,932	1,197,660	867,130	2,019,824	1,291,062
Bank overdrafts	2,673,687	4,343,957	5,595,210	7,966,300	8,268,897	12,310,257
Eliminations / adjustments					(450,448)	(423,955)
Total segment current liabilities	8,044,873	8,640,520	27,819,360	24,835,124	35,413,785	33,051,689
Total liabilities	10,885,313	10,337,864	42,858,179	42,738,668	53,293,044	52,652,577

6.4 Following is a summary of cash flows from/(used in) operating segments.

For the year ended 31st March	Manufacture 2024 Rs.'000	Manufacture 2023 Rs.'000	Supermarkets 2024 Rs.'000	Supermarkets 2023 Rs.'000	Total 2024 Rs.'000	Total 2023 Rs.'000
Net cash flow from / (used in) operating activities	4,067,562	(763,730)	9,896,088	3,888,690	13,963,650	3,124,960
Net cash flow used in investing activities	(1,816,806)	(1,430,894)	(2,243,618)	(3,368,649)	(4,060,424)	(4,799,543)
Net cash flow used in financing activities	(268,628)	(428,302)	(4,928,882)	(4,630,500)	(5,197,510)	(5,058,802)
Net increase/(decrease) in cash and cash equivalents	1,982,128	(2,622,926)	2,723,588	(4,110,459)	4,705,716	(6,733,385)

7 BASIS OF CONSOLIDATION

Accounting policy

Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its Subsidiaries as at 31st March 2024. The Financial Statements of the Subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

Control over an investee

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The following Companies have been consolidated based on above criteria.

Name of the Company	Effective holding
Jaykay Marketing Services (Pvt) Ltd	100%
The Colombo Ice Company (Pvt) Ltd	100%
LogiPark International (Pvt) Ltd	100%

Subsidiaries

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 Company, which is 12 months ending 31st March, using consistent accounting policies.

The total profits and losses for the year of the Company and of its Subsidiaries included in consolidation are shown in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and all assets and liabilities of the Company and of its Subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position.

The Consolidated Statements of Cash Flows includes the cash flows of the Company and its Subsidiaries.

A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Financial Statements

7 BASIS OF CONSOLIDATION (CONTD.)

Transactions Eliminated on Consolidation

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Loss of Control

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Income Statement. Any investment retained is recognised at fair value.

Non-controlling Interest

Non-controlling interest, which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Consolidated Income Statement and Statement of Comprehensive Income and as a Component of Equity in the Consolidated Statement of Financial Position, separately from the equity attributable to the shareholders of the parent. The Group does not have non-controlling interest as the Group consist of fully owned subsidiaries.

8 BUSINESS COMBINATIONS AND GOODWILL

Accounting policy

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the Income Statement. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement, in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Accounting policy

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation, goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Common Control Business Combinations

SLFRS 3 – Business Combination scopes out common control business combinations. LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – requires that in the absence of specific guidance in SLFRS, management should use its judgment in developing and applying an accounting policy that is relevant and reliable. Accordingly, The Group selected pooling of interest method as the most appropriate method for accounting the business combinations involving business under common control.

The concept underlying the use of pooling of interest method to account for a business combination is that no acquisition has occurred and there has been a continuation of the risks and benefits to the controlling party (or parties) that existed prior to the business combination.

Under the pooling of interest method, the net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. The assets and liabilities of the acquired entity are recorded at the book values as stated in the Financial Statements of the controlling party.

No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

Impairment of goodwill

Goodwill is tested for impairment annually (as at 31st March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Notes to the Financial Statements

8.1 Acquisition of a PET Bottling and Can Manufacturing Facility

On 3rd October 2023, the Company purchased a PET bottling and can manufacturing facility from Bestie Beverage (Pvt) Ltd for a consideration of Rs. 750 million using a new term loan facility obtained from a commercial bank.

Fair value of the net assets acquired in the plant is as follows;

	GROUP AND COMPANY	
	2024 Rs.'000	2023 Rs.'000
ASSETS		
Property, plant and equipment	514,293	-
LIABILITIES		
Employee benefit liabilities	(435)	-
Other current liabilities	(521)	-
Total identifiable net assets at fair value	513,337	-
Goodwill on acquisition	235,707	-
Net cash outflow on acquisition of a PET bottling and can manufacturing facility*	749,044	-

*The consideration was paid net of the liabilities obtained.

9 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets held by the Group, principally comprise of cash, loans to executives, trade and other receivables and financial assets at fair value through other comprehensive income. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Group's policies and risk objectives. The Group is exposed to market risk, credit risk and liquidity risk.

9.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, financial assets at fair value through other comprehensive income and loans to executive, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

9.1.1 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). The following table shows the maximum risk positions;

GROUP

As at 31st March	Notes	2024 Non-current financial assets Rs.'000	Cash in hand and at bank Rs.'000	Trade and other receivables Rs.'000	Short-term investments Rs.'000	Amounts due from related parties Rs.'000	Total Rs.'000	% of allocation
Deposits with bank	9.1.7	-	-	-	-	-	-	0%
Loans to executives	9.1.2	535,834	-	120,819	-	-	656,653	7%
Trade and other receivables	9.1.3	-	-	7,103,552	-	-	7,103,552	70%
Amounts due from related parties	9.1.4	-	-	-	-	160,215	160,215	2%
Cash in hand and at bank	9.1.5	-	2,161,159	-	-	-	2,161,159	21%
Total credit risk exposure		535,834	2,161,159	7,224,371	-	160,215	10,081,579	100%
Financial assets at fair value through OCI	9.1.6	5,735,080	-	-	-	-		
Total equity risk exposure		5,735,080	-	-	-	-		
Total		6,270,914	2,161,159	7,224,371	-	160,215		

As at 31st March	Notes	2023 Non-current financial assets Rs.'000	Cash in hand and at bank Rs.'000	Trade and other receivables Rs.'000	Short-term investments Rs.'000	Amounts due from related parties Rs.'000	Total Rs.'000	% of allocation
Deposits with bank	9.1.7	-	-	-	243,742	-	243,742	3%
Loans to executives	9.1.2	395,138	-	117,411	-	-	512,549	7%
Trade and other receivables	9.1.3	-	-	4,971,590	-	-	4,971,590	72%
Amounts due from related parties	9.1.4	-	-	-	-	28,048	28,048	0%
Cash in hand and at bank	9.1.5	-	1,253,061	-	-	-	1,253,061	18%
Total credit risk exposure		395,138	1,253,061	5,089,001	243,742	28,048	7,008,990	100%
Financial assets at fair value through OCI	9.1.6	6,277,679	-	-	-	-		
Total equity risk exposure		6,277,679	-	-	-	-		
Total		6,672,817	1,253,061	5,089,001	243,742	28,048		

Notes to the Financial Statements

9.1.1 Credit risk exposure (Contd.)

COMPANY

As at 31st March	Notes	2024						
		Non-current financial assets Rs.'000	Cash in hand and at bank Rs.'000	Trade and other receivables Rs.'000	Short-term investments Rs.'000	Amounts due from related parties Rs.'000	Total Rs.'000	% of allocation
Loans to executives	9.1.2	300,836	-	79,014	-	-	379,850	8%
Trade and other receivables	9.1.3	-	-	3,172,434	-	-	3,172,434	73%
Amounts due from related parties	9.1.4	-	-	-	-	257,672	257,672	6%
Cash in hand and at bank	9.1.5	-	555,177	-	-	-	555,177	13%
Total credit risk exposure		300,836	555,177	3,251,448	-	257,672	4,365,133	100%
Financial assets at fair value through OCI	9.1.6	5,735,080	-	-	-	-		
Total equity risk exposure		5,735,080	-	-	-	-		
Total		6,035,916	555,177	3,251,448	-	257,672		

As at 31st March	Notes	2023						
		Non-current financial assets Rs.'000	Cash in hand and at bank Rs.'000	Trade and other receivables Rs.'000	Short-term investments Rs.'000	Amounts due from related parties Rs.'000	Total Rs.'000	% of allocation
Loans to executives	9.1.2	196,278	-	72,635	-	-	268,913	8%
Trade and other receivables	9.1.3	-	-	2,348,861	-	-	2,348,861	73%
Amounts due from related parties	9.1.4	-	-	-	-	243,885	243,885	8%
Cash in hand and at bank	9.1.5	-	338,100	-	-	-	338,100	11%
Total credit risk exposure		196,278	338,100	2,421,496	-	243,885	3,199,759	100%
Financial assets at fair value through OCI	9.1.6	6,277,679	-	-	-	-		
Total equity risk exposure		6,277,679	-	-	-	-		
Total		6,473,957	338,100	2,421,496	-	243,885		

9.1.2 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary Power of Attorney/promissory notes as collateral for the loans granted.

9.1.3 Trade and other receivables

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Neither past due nor impaired				
days				
<30	6,278,083	4,268,565	2,661,579	1,899,952
30-60	625,859	591,812	358,841	362,397
61-90	121,259	72,551	97,396	56,388
Past due but not impaired				
91-120	18,116	7,369	6,519	2,919
121-180	14,745	25,192	2,609	21,104
> 181	45,490	6,101	45,490	6,101
Allowance for expected credit losses	101,519	79,448	68,460	69,319
Gross carrying value	7,205,071	5,051,038	3,240,894	2,418,180
Allowance for expected credit losses	(101,519)	(79,448)	(68,460)	(69,319)
Total	7,103,552	4,971,590	3,172,434	2,348,861

The Group has obtained bank guarantees from customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset including trade and receivable as indicating impairment when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to provide impairment indications when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

9.1.4 Amounts due from related parties

The Group's amounts due from related parties mainly consists of the balances from affiliate companies and Parent.

9.1.5 Credit risk relating to cash and cash equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure. The Group held a negative balance of cash and cash equivalents of Rs. 6,108 million at 31st March 2024 (2023 - Rs.10,813 million).

Notes to the Financial Statements

9.1.6 Financial Assets at fair value through OCI

The unquoted equity investment in Waterfront Properties (Pvt) Ltd is classified as a financial asset at fair value through OCI. The Company shareholding as at the reporting date was 3.14% (2023 - 3.54%).

All unquoted equity investments are made after obtaining the Board of Directors approval.

9.1.7 Deposits at Bank

Deposits with bank consists of fixed deposits.

As at 31st March 2024, the Group carries deposits amounting to Rs. Nil at bank (2022/23 - Rs. 243 million).

	GROUP			
As at 31st March Fitch ratings	2024 Rs.'000	Rating % of total	2023 Rs.'000	Rating % of total
A	-	100%	243,742	100%

9.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, overdrafts over a broad spread of maturities.

9.2.1 Net (debt)/cash

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Short-term investments	-	243,742	-	-
Cash in hand and at bank	2,161,159	1,253,061	555,177	338,100
Total liquid assets	2,161,159	1,496,803	555,177	338,100
Interest-bearing loans and borrowings (Non-current)	3,163,570	6,850,410	746,614	227,802
Short-term borrowings	900,000	1,185,340	500,000	237,178
Interest-bearing loans and borrowings (Current)	4,503,050	2,170,096	243,050	101,400
Bank overdrafts	8,268,897	12,310,257	2,038,615	3,140,292
Total liquid liabilities	16,835,517	22,516,103	3,528,279	3,706,672
Net debt	(14,674,358)	(21,019,300)	(2,973,102)	(3,368,572)

9.2.2 Liquidity risk management

Group has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement, or other secured borrowings.

The Group continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities. Constant dialogue between Group companies and banks regarding financing requirements, ensures that availability within each single borrower limit is optimised by efficiently reallocating under-utilised facilities within the Group.

The daily cash management processes at the business units include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2024 based on contractual undiscounted (principal plus interest) payments.

	2024						
As at 31st March	Within 1 year Rs.'000	Between 1-2 years Rs.'000	Between 2-3 years Rs.'000	Between 3-4 years Rs.'000	Between 4-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest-bearing loans and borrowings	4,808,615	2,489,354	819,965	305,768	138,016	-	8,561,718
Lease liabilities	1,912,844	1,649,101	1,652,966	1,626,281	1,649,726	10,669,501	19,160,419
Trade and other payables	17,451,342	-	-	-	-	-	17,451,342
Amounts due to related parties	1,323,624	-	-	-	-	-	1,323,624
Short-term borrowings	900,000	-	-	-	-	-	900,000
Bank overdrafts	8,268,897	-	-	-	-	-	8,268,897
	34,665,322	4,138,455	2,472,931	1,932,049	1,787,742	10,669,501	55,666,000

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2023 based on contractual undiscounted (principal plus interest) payments

	2023						
As at 31st March	Within 1 year Rs.'000	Between 1-2 years Rs.'000	Between 2-3 years Rs.'000	Between 3-4 years Rs.'000	Between 4-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest-bearing loans and borrowings	2,597,507	4,540,953	2,113,094	467,203	60,870	-	9,779,627
Lease liabilities	1,837,461	1,846,735	1,584,333	1,585,096	1,523,188	10,811,589	19,188,402
Trade and other payables	14,326,303	-	-	-	-	-	14,326,303
Amounts due to related parties	1,010,338	-	-	-	-	-	1,010,338
Short-term borrowings	1,185,340	-	-	-	-	-	1,185,340
Bank overdrafts	12,310,257	-	-	-	-	-	12,310,257
	33,267,206	6,387,688	3,697,427	2,052,299	1,584,058	10,811,589	57,800,267

Notes to the Financial Statements

9.2.2 Liquidity risk management (Contd.)

Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities at 31st March 2024 based on contractual undiscounted (principal plus interest) payments.

	2024						
As at 31st March	Within 1 year Rs.'000	Between 1-2 years Rs.'000	Between 2-3 years Rs.'000	Between 3-4 years Rs.'000	Between 4-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest-bearing loans and borrowings	383,115	483,854	363,009	305,768	138,016	-	1,673,762
Lease liabilities	176	176	176	176	176	3,867	4,747
Trade and other payables	2,272,030	-	-	-	-	-	2,272,030
Amounts due to related parties	450,220	-	-	-	-	-	450,220
Short-term borrowings	500,000	-	-	-	-	-	500,00
Bank overdrafts	2,038,615	-	-	-	-	-	2,038,615
	5,644,156	484,030	363,185	305,944	138,192	3,867	6,939,374

The table below summarises the maturity profile of the Company's financial liabilities as at 31st March 2023 based on contractual undiscounted (principal plus interest) payments.

	2023						
As at 31st March	Within 1 year Rs.'000	Between 1-2 years Rs.'000	Between 2-3 years Rs.'000	Between 3-4 years Rs.'000	Between 4-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest-bearing loans and borrowings	123,313	115,453	107,594	25,464	-	-	371,824
Lease liabilities	176	176	176	176	176	4,042	4,922
Trade and other payables	2,080,873	-	-	-	-	-	2,080,873
Amounts due to related parties	451,641	-	-	-	-	-	451,641
Short-term borrowings	237,178	-	-	-	-	-	237,178
Bank overdrafts	3,140,292	-	-	-	-	-	3,140,292
	6,033,473	115,629	107,770	25,640	176	4,042	6,286,730

9.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Foreign currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group and the Company do not have a direct impact from the Commodity price risk.

The sensitivity analysis in the following sections relate to the position as at 31 March 2024 and 2023.

The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligations provisions and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analysis:

- The sensitivity of the Statement of Financial Position item mainly relates to derivatives and debt instruments.
- The sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.
- This is based on the financial assets and financial liabilities held at 31 March 2024 and 2023.

9.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

The Central Bank of Sri Lanka (CBSL) began to ease the monetary policy during the current financial year amid decelerating inflation, resulting in a downward trend in market interest rates throughout the financial year. The directions issued by the Central Bank to licensed banks to reduce interest rates, and the significant reduction of risk premia on government securities, have accelerated the downward adjustment in market interest rates, particularly lending rates, in the second half of the financial year. Downward pressures on inflation on account of many factors including decreases in global commodity prices, food supply, and the appreciation of the currency have resulted in eased policy actions by the CBSL on monetary policy post the end of the reporting period.

The Group has managed the risk of volatile interest rates by having a balanced portfolio of borrowings at fixed and variable rates while interest rate swap agreements are in place for a significant portion of the Group's foreign currency borrowing portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

		GROUP	COMPANY
For the year ended 31st March	Increase/ (decrease) in basis points	Effect on profit before tax Rs. '000	Effect on profit before tax Rs. '000
2024	+ 1036 basis points	997,909	102,529
	- 1036 basis points	(997,909)	(102,529)
2023	+ 1916 basis points	1,728,239	63,075
	- 1916 basis points	(1,728,239)	(63,075)

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

Notes to the Financial Statements

9.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. JKH Group treasury analyses the market condition of foreign exchange and provides market updates to the GEC, with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decision rights given by the Board of Directors.

The Sri Lankan Rupee experienced appreciation in the first quarter, followed by depreciation in the second and third quarters, before showing an upward trend again in the final quarter.

The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" because of the conscious strategy of maintaining US Dollar cash balances at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams.

		GROUP		COMPANY	
Exchange rate	Increase/ (decrease) in exchange rate	Effect on profit before tax Rs. '000	Effect on equity Rs. '000	Effect on profit before tax Rs. '000	Effect on equity Rs. '000
2024					
USD	.+/-7.50%	(47,991)	(47,991)	(35,518)	(35,518)
Euro	.+/- 8.07%	(275)	(275)	(210)	(210)
GBP	.+/- 5.69%	(2,477)	(2,477)	(2,045)	(2,045)
2023					
USD	.+/-12.64%	(68,451)	(68,451)	(35,953)	(35,953)
Euro	.+/- 7.21%	(313)	(313)	(131)	(131)
GBP	.+/- 4.11%	(1,069)	(1,069)	(657)	(657)

Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

9.3.3 Equity price risk

The Group's unquoted equity instruments are susceptible to market price risk arising from uncertainties about future values of the investment instruments.

9.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	GROUP		COMPANY	
As at 31st March	2024	2023	2024	2023
Debt / Equity	82.32%	118.02%	23.57%	25.43%

10 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed are reflected in this note. Beside this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- Investment in unquoted equity shares (Note 25.3)
- Property, plant and equipment under revaluation model (Note 20)
- Investment properties (Note 22)
- Financial instruments (including those carried at amortised cost) (Note 11)

Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Financial Statements

10 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES (CONTD.)

Accounting policy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted equity instruments, and for non-recurring measurement, such as assets held for sale in discontinued operations.

The services of external valuers are obtained for valuation of significant assets, such as lands and buildings and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

10.1 Fair value measurement hierarchy - Group

The Group held the following financial and non-financial assets carried at fair value in the Statement of Financial Position:

Financial assets

		Level 1		Level 2		Level 3	
As at 31 March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Unquoted equity investments	25.3	-	-	-	-	5,735,080	6,277,679
		-	-	-	-	5,735,080	6,277,679
Non-financial assets							
Land and buildings	20.1	-	-	-	-	2,294,387	2,222,491
Buildings on lease hold land	20.1	-	-	-	-	7,966,842	7,957,847
Investment property	22.1	-	-	-	-	667,741	645,872
		-	-	-	-	10,928,970	10,826,210

10.2 Fair value measurement hierarchy - Company

The Company held the following financial and non-financial assets carried at fair value in the Statement of Financial Position:

Financial assets

		Level 1		Level 2		Level 3	
As at 31 March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Unquoted equity investments	25.3	-	-	-	-	5,735,080	6,277,679
		-	-	-	-	5,735,080	6,277,679
Non- financial assets							
Land and buildings	20.1	-	-	-	-	2,294,387	2,222,491
Buildings on lease hold land	20.1	-	-	-	-	65,233	59,971
Investment property	22.1	-	-	-	-	358,353	341,398
		-	-	-	-	2,717,973	2,623,860

In determining the fair value of non-financial assets of the Company and the Group, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of the transaction prices for similar properties, with appropriate adjustments for the size and location. The appraised fair values are rounded within the range of values.

10.3 Reconciliation of fair value measurements of level 3 financial instruments

The Group and the Company carries unquoted equity shares as equity instruments designated at fair value through OCI classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements are summarised below;

As at 31 March	Group and Company Rs.'000
As at 1st April 2023	6,277,679
Remeasurement loss recognised in OCI	(542,599)
As at 31st March 2024	5,735,080

Fair valuation done as at 31st March 2024 for all unquoted equity shares are classified as Level 3 within the fair value hierarchy using fair valuation methodology. Fair value would not significantly vary if one or more of the inputs were changed.

Notes to the Financial Statements

11 FINANCIAL INSTRUMENTS AND RELATED POLICIES

Accounting policy

Financial Instruments - Initial recognition and subsequent measurement

Financial Assets

Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group's financial assets include cash and short-term deposits, trade and other receivables, unquoted financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Debt instruments

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows,

  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade and other receivables, amounts due from related parties, short term investments, loans and receivables and cash in hand and at bank.

Accounting policy

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling,

  and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the Income Statement.

The Group and the Company have no debt instruments that are carried at fair value through OCI as at the reporting date.

Equity Instruments

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Income Statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

The Group's and the Company's financial assets at fair value through OCI includes unquoted equity investment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Income Statement.

The Group and the Company have no equity instruments that is carried at fair value through profit or loss as at the reporting date.

Notes to the Financial Statements

11 FINANCIAL INSTRUMENTS AND RELATED POLICIES (CONTD.)

Accounting policy

Financial assets - derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the Group's effective interest rate.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. .

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, lease liabilities and amount due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Income Statement.

Accounting policy

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

11.1 Financial assets by categories

	GROUP				COMPANY			
	Financial assets at amortised cost		Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition		Financial assets at amortised cost		Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition	
As at 31 March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Financial instruments in non-current assets								
Non-current financial assets	535,834	395,138	5,735,080	6,277,679	300,836	196,278	5,735,080	6,277,679
Financial instruments in current assets								
Trade and other receivables	7,224,371	5,089,001	-	-	3,251,448	2,421,496	-	-
Amounts due from related parties	160,215	28,048	-	-	257,672	243,885	-	-
Short-term investments	-	243,742	-	-	-	-	-	-
Cash in hand and at bank	2,161,159	1,253,061	-	-	555,177	338,100	-	-
Total	10,081,579	7,008,990	5,735,080	6,277,679	4,365,133	3,199,759	5,735,080	6,277,679

Notes to the Financial Statements

11.2 Financial liabilities by categories

As at 31 March	GROUP Financial liabilities measured at amortised cost 2024 Rs.'000	GROUP Financial liabilities measured at amortised cost 2023 Rs.'000	COMPANY Financial liabilities measured at amortised cost 2024 Rs.'000	COMPANY Financial liabilities measured at amortised cost 2023 Rs.'000
Financial instruments in non-current liabilities				
Interest-bearing loans and borrowings	3,163,570	6,850,410	746,614	227,802
Lease liabilities	10,689,948	9,963,144	2,375	2,415
Financial instruments in current liabilities				
Trade and other payables	17,451,342	14,326,303	2,272,030	2,080,873
Amounts due to related parties	1,323,624	1,010,338	450,220	451,641
Short-term borrowings	900,000	1,185,340	500,000	237,178
Interest-bearing loans and borrowings	4,503,050	2,170,096	243,050	101,400
Lease liabilities	690,721	652,711	40	38
Bank overdrafts	8,268,897	12,310,257	2,038,615	3,140,292
Total	46,991,152	48,468,599	6,252,944	6,241,639

The management assessed that cash and short-term deposits, trade and other receivables, trade payables, bank overdrafts, and other current financial liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under leases, as well as non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in the management's estimate of fair value for these unquoted equity investments.

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

12 REVENUE

Accounting policy

12.1 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

12.2 Disaggregation of revenue

The Group presented disaggregated revenue with Group's reportable segments based on the timing of revenue recognition stated below. Further disaggregation of revenue according to geographical segments have been disclosed in the operating segment information section in Note 6.

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Goods transferred at a point in time				
Manufacturing	28,591,336	26,376,329	21,504,015	19,006,937
Supermarkets	111,033,605	99,772,783	-	-
Total revenue from contracts with customers	139,624,941	126,149,112	21,504,015	19,006,937

Inter-segment revenue has been eliminated for the Group.

12.3 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segment has been provided in the operating segment information section in Note 6.

12.4 Contract balances

Contract assets

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. As at 31 March 2024 the Company and the Group have no contract assets.

Contract liabilities

Contract liabilities the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties, and loyalty points not yet redeemed. Contract liabilities of the Group have been disclosed in other current liabilities in Note 39.

Notes to the Financial Statements

12 REVENUE

Accounting policy

12.5 Performance obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

Manufacturing

Manufacturing segment which includes Ceylon Cold Stores PLC and The Colombo Ice Company (Pvt) Ltd focuses on the manufacturing of Beverages and Frozen Confectionery. Revenue is recognised at the point in time when the control of the asset is transferred to the customer, which is generally upon delivery of the goods. Revenue is measured based on actual sales, and therefore the output method is used for revenue recognition.

Supermarket

The Supermarket sector which includes Jaykay Marketing Services (Pvt) Ltd and LogiPark International (Pvt) Ltd focuses on modern organised supermarket through a chain of supermarkets.

Revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

Customers who purchase from outlets may enter the entity's customer loyalty programme and earn points that are redeemable against future purchases of the entity's products. The entity will allocate a portion of the transaction price to the loyalty programme based on relative stand-alone selling price.

13 DIVIDEND INCOME

Accounting policy

Dividend income is recognised when the Group's right to receive the payment is established.

	COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000
Dividend income from investment in Subsidiaries	1,119,787	814,637

14 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Accounting policy

Other income and expenses

Other income and expenses are recognised on an accrual basis.

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.

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
14.1 Other Operating Income				
Exchange gain	94	-	-	-
Promotional income	2,269,365	1,969,177	-	-
Scrap sales	24,566	15,481	17,577	9,974
Rental income	147,098	122,136	617	436
Franchise income	57,083	42,128	17,934	20,608
Royalty income	33,658	27,482	378,345	331,698
Shared service fee	44,137	34,539	308,251	269,962
Gain on disposal of property, plant and equipment and ROU assets	20,424	310	854	310
Utility collection commission	137,948	69,164	-	-
Write back of expired gift vouchers	117,051	132,235	-	-
Sundry income	102,296	186,268	89,833	159,110
	2,953,720	2,598,920	813,411	792,098
14.2 Other Operating Expenses				
Exchange loss	58,052	96,849	39,603	67,465
Write back of dealer deposits	1,833	8,371	1,833	8,371
Spoilage and wastage	202,157	190,428	182,744	164,525
Bank charges	45,068	76,743	34,073	56,748
Cash collection charges	31,001	35,380	-	-
Loss on disposal of property plant & equipment	37,123	39,886	-	-
Other expenses	2,075,292	892,098	450,594	168,314
	2,450,526	1,339,755	708,847	465,423

Notes to the Financial Statements

15 FINANCE INCOME AND FINANCE COSTS

Accounting policy

Finance income

Finance income comprises interest income on funds invested and interest income on financial guarantees that are recognized in the Income Statement.

For all financial instruments measured at amortised cost interest income is recorded using the effective interest rate (EIR), which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Income Statement.

Finance costs

Finance costs comprise interest expense on borrowings that are recognised in the Income Statement.

Interest expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Finance Income and Finance Costs				
Finance income				
Interest income - staff loans	93,893	73,186	44,983	48,116
Interest income - short term investments	14,117	61,104	1,130	3,004
Interest income - financial guarantee given to the Subsidiary*	-	-	-	3,361
Total finance income	108,010	134,290	46,113	54,481
Finance costs				
Interest expense on lease liabilities	(1,196,185)	(1,145,761)	(138)	(152)
Interest expense on borrowings - Long-term	(960,304)	(1,234,330)	(67,520)	(28,319)
Interest expense on borrowings - Short-term	(1,197,896)	(1,720,882)	(364,077)	(446,901)
Total finance cost	(3,354,385)	(4,100,973)	(431,735)	(475,372)
Net finance cost	(3,246,375)	(3,966,683)	(385,622)	(420,891)

*Represents the notional guarantee fee recognised in the books of the Company on account of the corporate guarantee given to the Subsidiary, The Colombo Ice Company (Pvt) Ltd to obtain a term loan from a commercial bank. Corporate guarantee expired in February 2023 due to full settlement of term loan.

16 PROFIT BEFORE TAX

Accounting policy

Expenditure recognition

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

For the purpose of presentation of the Income Statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

Profit before tax is stated after charging all expenses including the following;

		GROUP		COMPANY	
For the year ended 31st March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Remuneration to Executive Directors		203,625	156,861	97,657	76,364
Remuneration to Non-Executive Directors		11,036	9,766	9,980	8,805
Auditors' remuneration					
Audit		4,576	3,648	2,107	1,704
Non-audit		977	726	757	644
Costs of defined employee benefits					
Defined benefit plan cost	36.3	252,010	150,017	112,007	67,669
Defined contribution plan cost - EPF and ETF		579,453	525,659	181,198	157,769
Other long-term employee benefits cost	36.2	-	(120,672)	-	(77,369)
Staff expenses		9,146,284	8,496,639	3,105,394	2,795,335
Excise Duty		879,861	774,636	879,861	774,636
Share based payment expenses	34	75,801	60,319	34,875	27,286
Depreciation of property, plant and equipment	20.1	2,551,453	2,376,723	644,641	607,537
Amortisation of intangible assets	23.1	550,451	413,668	122,910	51,590
Amortisation of Right of Use Assets	21.1.1	1,192,456	1,152,850	1,602	1,602
Net (gain) / loss on disposal of property, plant and equipment	14	16,699	39,576	854	(310)
Donations including CSR related expenses		41,955	53,104	18,477	23,988

Notes to the Financial Statements

17 EARNINGS PER SHARE (EPS)

Accounting policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

				GROUP	
	For the year ended 31st March	Notes		2024	2023
17.1	**Basic earnings per share**				
	Profit for the year		Rs. '000	3,426,852	2,512,668
	Dividend on preference shares		Rs. '000	(14)	(14)
	Profit attributable to equity holders of the parent		Rs. '000	3,426,838	2,512,654
	Weighted average number of ordinary shares	17.3	No. '000	950,400	950,400
	Basic earnings per share		**Rs.**	3.61	2.64
17.2	**Diluted earnings per share**				
	Profit attributable to equity holders of the parent		Rs. '000	3,426,838	2,512,654
	Adjusted weighted average number of ordinary shares	17.3	No. '000	950,400	950,400
	Diluted earnings per share		**Rs.**	3.61	2.64
17.3	**Amount used as denominator**				
	Ordinary shares at the beginning of the year		No. '000	950,400	950,400
	Adjusted weighted average number of ordinary shares		No. '000	950,400	950,400

18 DIVIDEND PER SHARE (DPS)

Equity dividend on ordinary shares

	GROUP			
For the year ended 31st March	2024		2023	
	Rs.	Rs.'000	Rs.	Rs.'000
Declared and paid during the year				
Final dividend**	0.44	421,217	0.33	314,012
Interim dividend	1.43	1,355,270	0.86	814,302
Total dividend	1.87	1,776,487	1.19	1,128,314

***2022/23 final dividend was paid in 2023/24*

19 TAXES

Accounting policy

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. the tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of Associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

The Group has confirmed with the arm's length principles relating to Transfer Pricing, as prescribed in the Inland Revenue Act.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences Associated with investments in subsidiaries and Associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except;

- Where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Notes to the Financial Statements

19 TAXES (CONTD.)

Accounting policy

- In respect of deducible temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the Income Statement is recognised outside the Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except;

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.
  The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

		GROUP		COMPANY	
For the year ended 31st March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
19.1 Tax Expense/Reversal					
Current income tax					
Tax charge for the year	19.5	330,490	-	272,049	-
15% Advanced Income Tax payment on intercompany dividends		197,609	113,759	-	
Income tax refund claimed due to brought forward tax losses		-	(92,409)	-	-
Under provision of current tax of previous years	19.4	(110,964)	-	(105,582)	-
Deferred tax					
Relating to origination and reversal of temporary differences	19.2	1,086,903	(294,634)	345,609	118,545
		1,504,038	(273,284)	512,076	118,545

For the year ended 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
19.2 Deferred Tax Expense					
Income statement					
Deferred tax expense arising from;					
Accelerated depreciation for tax purposes		128,006	308,844	88,990	94,733
Tax expense due to rate change		-	667,506	-	261,567
Employee benefit liabilities		(48,479)	26,934	(21,410)	25,427
Capitalisation of borrowing cost		-	(10,834)	-	-
Revaluation of investment property to fair value		6,561	6,319	5,087	7,245
Benefit arising from tax losses		1,037,917	(1,295,165)	272,538	(270,445)
Exchange gain		5,748	-	404	-
Others		(42,850)	1,762	-	18
Deferred tax charged/(credited) directly to Income Statement	19.1	1,086,903	(294,634)	345,609	118,545
Deferred tax charged/(credited) directly to Income Statement					
Deferred tax assets	19.3.1	-	(662,224)	-	-
Deferred tax liabilities	19.3	1,086,903	367,590	345,609	118,545
		1,086,903	(294,634)	345,609	118,545
Other comprehensive income					
Deferred tax expense arising from;					
Actuarial gain/(loss) on employee benefit liabilities		(47,904)	33,251	(31,452)	29,130
Revaluation of buildings		117,407	137,976	23,291	35,147
Revaluation of land		13,511	97,815	13,511	97,815
Income tax on other comprehensive income - Rate change from 24% to 30%		-	79,661	-	45,952
Gain on financial assets valued at fair value through OCI		-	(154,220)	-	(154,220)
Deferred tax charged directly to Other Comprehensive Income		83,014	194,483	5,350	53,824
Total deferred tax charged/(credited)		1,169,917	(100,151)	350,959	172,369

Notes to the Financial Statements

			GROUP		COMPANY	
	For the year ended 31st March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
19.3	**Deferred Tax Liabilities**					
	At the beginning of the year		1,929,186	1,756,840	800,371	628,002
	Charge for the year	19.2	1,086,903	367,590	345,609	118,545
	Tax on Other Comprehensive Income	19.2	83,014	133,416	5,350	53,824
	Transfer to deferred tax asset		(272,497)	(328,660)	-	-
	At the end of the year		2,826,606	1,929,186	1,151,330	800,371
19.3.1	**Deferred Tax Assets**					
	At the beginning of the year		272,497	-	-	-
	Transfer from deferred tax liabilities		(272,497)	(328,660)	-	-
	Charge for the year		-	662,224	-	-
	Tax effect due to rate differential from 24% to 30%	19.2	-	(61,067)	-	-
	At the end of the year		-	272,497	-	-
	The closing deferred tax liability balances relate to the following;					
	Accelerated depreciation for tax purposes		1,650,218	1,522,212	653,568	564,578
	Employee benefit liabilities		(194,813)	(146,334)	(91,612)	(70,202)
	Losses available for offset against future taxable income		372,452	(665,465)	2,093	(270,445)
	Tax effect on capital gain from investment property		21,745	15,184	21,197	16,110
	Tax effect on actuarial gain/(loss)		(25,221)	22,683	(10,673)	20,779
	Tax effect on capital gain from land		280,206	266,695	280,206	266,695
	Tax effect on revaluation of buildings		359,136	241,729	138,322	115,031
	Tax effect on gain on financial assets valued at fair value through OCI		(134,711)	(134,711)	(134,711)	(134,711)
	Transfer to deferred tax asset		(287,058)	(14,561)	(14,561)	(14,561)
	Tax charge on rate change		747,167	747,167	307,519	307,519
	Tax effect on revaluation of buildings on leasehold land		(2,692)	(2,692)	-	-
	Tax effect on exchange gain		5,748	-	404	-
	Others		34,429	77,279	(422)	(422)
	At the end of the year		2,826,606	1,929,186	1,151,330	800,371

For the year ended 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
The closing deferred tax asset balances relate to the following;				
Accelerated depreciation for tax purposes	-	732,133	-	-
Employee benefit liabilities	-	(3,229)	-	-
Losses available for offset against future taxable income	-	(995,565)	-	-
Tax effect on actuarial gain	-	146	-	-
Tax effect on revaluation of buildings	-	80,843	-	-
Others	-	(86,825)	-	-
	-	(272,497)	-	-

For the year ended 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
19.4 Income Tax Liabilities				
At the beginning of the year	105,582	265,955	105,582	214,160
Charge for the year	528,099	-	272,049	-
Transfer to income tax recoverable	5,382	(51,795)	-	-
Over provision of current tax of previous years	(110,964)	-	(105,582)	-
Tax paid	(262,534)	(108,578)	(64,925)	(108,578)
Tax credits	(9,238)	-	(9,238)	-
At the end of the year	256,327	105,582	197,886	105,582

For the year ended 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
19.4.1 Income Tax Recoverable					
At the beginning of the year		117,922	2,797	-	-
Transfer from income tax liability		5,382	(51,795)	-	
Income tax refund claimed due to brought forward tax losses on account of ECA from previous years		-	92,409	-	-
Tax paid		-	74,511	-	-
At the end of the year		123,304	117,922	-	-

Notes to the Financial Statements

19.4 Income Tax Liabilities (Contd.)

Accounting judgements, estimates and assumptions

The Group is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes due to uncertainties that exist with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has contingent liabilities amounting to Rs.36.5 million (2023 – Rs.36.5 million) in relation to income tax assessments relating to years of assessments 2011/12, 2012/13 and 2013/14. These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited at the reporting date. Further details on contingent liabilities are disclosed in note 42 in the Financial Statements.

		GROUP		COMPANY	
For the year ended 31st March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
19.5 Reconciliation between current tax charge and the accounting profit					
Profit before tax*		4,930,890	2,239,384	2,054,172	453,378
Dividend income from Group companies		-	-	1,119,787	814,637
Consolidation adjustments		1,108,628	949,971	-	-
Profit after adjustment		6,039,518	3,189,355	3,173,959	1,268,015
Exempt profits		(100,778)	(100,299)	(99,150)	(100,299)
Income not liable for income tax		(1,119,787)	(644,637)	(1,119,787)	(644,637)
Adjusted accounting profit chargeable to income taxes		4,818,953	2,444,419	1,955,022	523,079
Disallowable expenses		6,419,755	5,310,940	1,442,980	736,017
Allowable expenses		(6,756,024)	(8,425,210)	(1,582,714)	(2,160,579)
Utilisation of tax losses	19.7	(3,381,053)	(117,656)	(908,460)	-
Taxable income / (loss)		1,101,631	(787,507)	906,828	(901,483)
Income tax charged at					
Standard rate - 30%		330,490	-	272,049	-
Tax charge for the period		330,490	-	272,049	-
Over provision for previous years		(110,964)	-	(105,582)	-
Income tax refund claimed due to brought forward tax losses		-	(92,409)	-	-
15% Advanced Income Tax on intercompany dividends		197,609	113,759	-	-
Current tax charge		417,135	21,350	166,467	-

**Profit before tax excluding dividend income from Group companies*

For the year ended 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
19.6 Reconciliation between tax expense and the product of accounting profit				
Adjusted accounting profit chargeable to income taxes	4,818,953	2,444,419	1,955,022	523,079
Tax effect on chargeable profits	1,575,082	752,202	586,507	156,924
Tax effect on non-deductible expenses	203,452	53,305	166,381	27,167
Gratuity Transfers	(2,544)	(232)	(1,817)	-
Tax effect on deductions claimed	(144,135)	(841,272)	(133,412)	(461,711)
Deferred tax due to tax rate changes	-	667,506	-	261,567
Net tax effect of deferred tax from tax losses and other temporary differences	-	(992,009)	-	-
Under provision for previous years	(127,817)	87,216	(105,583)	134,598
Tax (expense) / reversal	1,504,038	(273,284)	512,076	118,545

For the year ended 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
19.7 Tax losses carried forward				
Tax losses brought forward	8,818,262	4,529,564	901,483	-
Tax losses arising during the year	-	4,439,651	-	901,483
Adjustments on finalisation of liability	(301,298)	(33,297)	6,977	-
Utilisation of tax losses	(3,381,053)	(117,656)	(908,460)	-
At the end of the year	5,135,911	8,818,262	-	901,483

Deferred tax asset of LogiPark International (Pvt) Ltd has not been recognised for the unused tax losses amounting to Rs. 3,072 million (2023 - Rs. 3,194 million) in the Statement of Financial Position as at 31st March 2024. These tax losses are to be expired in the years of assessment commencing from 2024/25 to 2031/32.

The Colombo Ice Company (Pvt) Ltd can offset its unused tax losses, totalling Rs. 2,074 million (2023 - Rs. 3,307 million), against taxable profits over the next five years.

19.8 Applicable rates of income tax and deferred tax

Income tax and Deferred tax have been provided as per the new rates legislated per the Inland Revenue (Amendment) Act No 45 of 2022. In 2022/23, the additional deferred tax on rate differential recognised in the Income Statement for the Group and the Company is Rs. 668 million and Rs. 262 million respectively. Rs. 80 million and Rs. 46 million has been recognised in the Other Comprehensive Income Statement as the deferred tax on rate deferential for the Group and the company, respectively.

Notes to the Financial Statements

20 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Income Statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve related to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing land and building at least once every 5 years.

The subsidiaries Jaykay Marketing Services (Pvt) Limited and LogiPark International (Pvt) Limited have adopted a policy of revaluing its buildings on leasehold land by a professional valuer after the asset completes 3 years of its useful life as the management believes that within the first 3 years, the initial recognition amount represents the assets' fair value.

Capital work-in-progress is stated at cost including borrowing cost capitalised where applicable.

Derecognition

An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the year the asset is derecognised.

Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write-off such amounts over the estimated useful economic life of such assets.

Accounting policy

The estimated useful life of assets is as follows:

Assets	Years
Buildings	20 - 50
Building on leasehold land	25 or over the period of lease
Plant and machinery	3 - 30
Equipment, furniture and fittings	5 - 15
Motor vehicles	3 - 15
Other assets	3 - 20
Returnable containers	4 - 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs the Group incurs in connection with the borrowing of funds.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the Income Statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the Statement of Other Comprehensive Income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the Financial Statements

20 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

20.1

As at 31 March	Land and buildings Rs.'000	Buildings on leasehold land Rs.'000	Plant and machinery Rs.'000	Equipment, furniture and fittings Rs.'000	Motor vehicles Rs.'000	Returnable containers Rs.'000	Other assets Rs.'000	Capital work in progress Rs.'000	Total 2024 Rs.'000	Total 2023 Rs.'000
Group										
Cost or valuation										
At the beginning of the year	2,249,469	12,944,548	12,292,316	5,128,980	412,708	938,871	4,658,301	392,546	39,017,739	35,673,978
Additions	85,456	881,857	371,434	381,995	-	30,259	281,334	118,698	2,151,033	3,700,188
Acquisition of a PET bottling and can manufacturing facility	229,200	-	253,674	5,184	-	-	26,235	-	514,293	-
Disposal	(6,414)	(30,234)	(71,980)	(26,490)	(3,092)	(2,553)	(106,736)	(6,631)	(254,130)	(400,509)
Revaluations	115,333	321,060	-	-	-	-	-	-	436,393	785,965
Transfers*	220	108,655	79,223	32,633	-	-	19,956	(240,687)	-	(268,084)
Transfers (from revaluation adjustment)	(55,978)	(368,176)	-	-	-	-	-	-	(424,154)	(473,799)
At the end of the year	2,617,286	13,857,710	12,924,667	5,522,302	409,616	966,577	4,879,090	263,926	41,441,174	39,017,739
Accumulated depreciation and impairment										
At the beginning of the year	(14,526)	(660,991)	(5,282,422)	(2,122,832)	(368,295)	(682,661)	(2,635,836)	-	(11,767,563)	(10,094,417)
Charge for the year	(59,801)	(634,199)	(825,811)	(581,539)	(11,269)	(68,368)	(370,466)	-	(2,551,453)	(2,376,723)
Disposal	189	11,901	63,327	13,985	3,092	2,553	104,372	-	199,419	229,778
Transfers (from revaluation adjustment)	55,978	368,176	-	-	-	-	-	-	424,154	473,799
At the end of the year	(18,160)	(915,113)	(6,044,906)	(2,690,386)	(376,472)	(748,476)	(2,901,930)	-	(13,695,443)	(11,767,563)
Carrying value:										
As at 31 March 2024										
At valuation	2,294,387	7,966,842	-	-	-	-	-	-	10,261,229	
At cost	304,739	4,975,755	6,879,761	2,831,916	33,144	218,101	1,977,160	263,926	17,484,502	
	2,599,126	12,942,597	6,879,761	2,831,916	33,144	218,101	1,977,160	263,926	27,745,731	
As at 31 March 2023										
At valuation	2,222,491	7,957,847	-	-	-	-	-	-		10,180,338
At Cost	12,452	4,325,710	7,009,894	3,006,148	44,413	256,210	2,022,465	392,546		17,069,838
	2,234,943	12,283,557	7,009,894	3,006,148	44,413	256,210	2,022,465	392,546		27,250,176

**Transfers include, transfer from capital work in progress and between classes of assets*

20 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

20.1 (Contd.)

As at 31 March	Land and buildings Rs.'000	Buildings on leasehold land Rs.'000	Plant and machinery Rs.'000	Equipment, furniture and fittings Rs.'000	Motor vehicles Rs.'000	Returnable containers Rs.'000	Other assets Rs.'000	Capital work in progress Rs.'000	Total 2024 Rs.'000	Total 2023 Rs.'000
Company										
Cost or valuation										
At the beginning of the year	2,249,469	60,475	3,862,098	244,049	180,954	925,027	3,507,246	1,680	11,030,998	10,123,543
Additions	85,456	-	26,957	48,689	-	30,259	88,406	45,139	324,906	643,491
Acquisition of a PET bottling and can manufacturing facility	229,200	-	253,674	5,184	-	-	26,235	-	514,293	-
Disposal	(6,414)	-	(43,525)	-	(3,092)	(2,553)	(89,638)	-	(145,222)	(131,636)
Revaluations	115,333	7,341	-	-	-	-	-	-	122,674	443,207
Transfers*	220	-	1,460	-	-	-	-	(1,680)	-	-
Transfers (from revaluation adjustment)	(55,978)	(2,016)	-	-	-	-	-	-	(57,994)	(47,607)
At the end of the year	2,617,286	65,800	4,100,664	297,922	177,862	952,733	3,532,249	45,139	11,789,655	11,030,998
									-	
Accumulated depreciation and impairment										
At the beginning of the year	(14,526)	(504)	(2,738,497)	(103,126)	(139,003)	(682,660)	(1,995,663)	-	(5,673,979)	(5,247,088)
Charge for the year	(59,801)	(2,079)	(236,763)	(25,835)	(11,269)	(68,368)	(240,526)	-	(644,641)	(607,537)
Disposal	189	-	43,525	-	3,092	2,553	89,639	-	138,998	133,039
Transfers (from revaluation adjustment)	55,978	2,016	-	-	-	-	-	-	57,994	47,607
At the end of the year	(18,160)	(567)	(2,931,735)	(128,961)	(147,180)	(748,475)	(2,146,550)	-	(6,121,628)	(5,673,979)
Carrying value:										
As at 31 March 2024										
At valuation	2,294,387	65,233	-	-	-	-	-	-	2,359,620	
At Cost	304,739	-	1,168,929	168,961	30,682	204,258	1,385,699	45,139	3,308,407	
	2,599,126	65,233	1,168,929	168,961	30,682	204,258	1,385,699	45,139	5,668,027	
Carrying value:										
As at 31 March 2023										
At valuation	2,222,491	59,971	-	-	-	-	-	-		2,282,462
At Cost	12,452	-	1,123,601	140,923	41,951	242,367	1,511,583	1,680		3,074,557
	2,234,943	59,971	1,123,601	140,923	41,951	242,367	1,511,583	1,680		5,357,019

**Transfers include, transfer from capital work in progress and between classes of assets*

Notes to the Financial Statements

20.2 Revaluation of land and buildings

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged Messrs. P B Kalugalagedara & Associates, an independent expert valuer, to determine the fair value of its land and buildings and they have carried out the valuation in accordance with Sri Lanka Accounting Standards and International Valuation Standards published by the International Valuation Standards Committee (IVSC). Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was carried out on 31st December 2023.

The valuations as of 31st December 2023 contained a higher estimation uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

The changes in fair value are recognised in Other Comprehensive Income and in the Statement of Changes in Equity.

Details of the Group's land and buildings stated at valuation are indicated below.

Property	Name of Chartered Valuation surveyor	Method of valuation	Sensitivity of unobservable inputs				Correlation to fair value
			Estimated price per perch		Estimated price per square foot		
			2024	2023	2024	2023	
Land and buildings							
Ceylon Cold Stores PLC	P.B.Kalugalagedara	Open market value method	Rs.275,000-Rs.310,000	Rs.250,000-Rs.300,000	-	-	Positive
Ceylon Cold Stores PLC	P.B.Kalugalagedara	Open market value method	-	-	Rs.500 - Rs.5,000	Rs.500 - Rs.5,000	Positive
Buildings on leasehold land							
Ceylon Cold Stores PLC	P.B.Kalugalagedara	Open market value method	-	-	Rs. 500 - Rs.5,500	Rs. 500 - Rs.5,000	Positive
Jaykay Marketing Services (Pvt) Ltd	P.B.Kalugalagedara	Investment method	-	-	Rs 30 - Rs 300	Rs 28 - Rs 265	Positive
The Colombo Ice Company (Pvt) Ltd	P.B.Kalugalagedara	Open market value method	-	-	Rs.2500 - Rs.9000	Rs.2,500 - Rs.9,000	Positive

Summary description of valuation methodologies;

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

20.3 The carrying amount of revalued buildings of the Group if they were carried at cost less depreciation and impairment, would be as follows;

	GROUP		COMPANY	
As at 31st March	**2024 Rs.'000**	**2023 Rs.'000**	**2024 Rs.'000**	**2023 Rs.'000**
Cost	11,780,623	10,620,758	866,763	675,521
Accumulated depreciation and impairment	(2,219,213)	(1,626,120)	(117,891)	(115,491)
Carrying value	9,561,410	8,994,638	748,872	560,030

20.4 Property, plant and equipment that have been fully depreciated and continue to be in use by the Group are as follows;

	GROUP		COMPANY	
As at 31st March	**2024 Rs.'000**	**2023 Rs.'000**	**2024 Rs.'000**	**2023 Rs.'000**
Cost of fully depreciated assets	4,540,524	3,780,520	2,733,958	2,600,393

20.5 Other assets of the Group mainly comprise of freezers, bottle coolers and crates. The net book value of those assets are as follows.

	2024			2023		
As at 31st March	**Freezers Rs.'000**	**Coolers Rs.'000**	**Crates Rs.'000**	**Freezers Rs.'000**	**Coolers Rs.'000**	**Crates Rs.'000**
Cost	1,428,126	963,039	645,809	1,497,387	965,446	651,473
Accumulated depreciation and impairment	(669,349)	(564,070)	(595,426)	(639,492)	(496,116)	(583,973)
Carrying value	758,777	398,969	50,383	857,895	469,330	67,500

20.6 The Group's property, plant and equipment with a carrying value of Rs. 3,832 million (2023 - Rs. 3,753 million) have been pledged as security for loans obtained. Details of which are disclosed in note 35.3.

20.7 The Group assessed for impairment indications of assets at the end of reporting period and there were no indications observed. No idle assets were observed that require disclosure in the Financial Statements.

Notes to the Financial Statements

21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Accounting policy

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group uses 6 months AWPLR based plus margin when calculating the incremental borrowing rate which reflects the average rate of borrowings in the Group. Quarterly calculated incremental borrowing rates were used to discount new leases obtained during the year

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term

21.1 Amounts recognised in the Statement of Financial Position and Income Statement

Set out below, are the carrying amounts of the Group's right of use assets and the movements for the year ended 31 March.

21.1.1 Right-of-Use Assets

	GROUP		COMPANY	
As at 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Right of Use Assets - Lease hold properties				
Cost				
At the beginning of the year	13,653,555	12,831,858	48,070	48,070
Additions	1,535,703	821,697	-	-
Derecognition	(634,897)	-	-	-
At the end of the year	14,554,361	13,653,555	48,070	48,070
Accumulated amortisation and impairment				
At the beginning of the year	(3,881,678)	(2,728,828)	(2,270)	(668)
Amortisation	(1,192,456)	(1,152,850)	(1,602)	(1,602)
Derecognition	536,142	-	-	-
At the end of the year	(4,537,992)	(3,881,678)	(3,872)	(2,270)
At the end of the year	10,016,369	9,771,877	44,198	45,800

Set out below are the carrying amounts of lease liabilities and the movements for the period ended 31 March.

21.1.2 Lease Liabilities

	GROUP		COMPANY	
As at 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
At the beginning of the year	10,615,855	10,404,718	2,453	2,477
Additions	1,535,704	821,697	-	-
Transfers	(52,430)	(118,876)	-	-
Finance charge on lease liabilities	1,196,185	1,145,761	138	152
Disposals	(118,320)	-	-	-
Payments	(1,781,783)	(1,649,299)	(176)	(176)
Exchange (gain)/ loss	(14,542)	11,854	-	-
At the end of the year	11,380,669	10,615,855	2,415	2,453
Current	690,721	652,711	40	38
Non-current	10,689,948	9,963,144	2,375	2,415
Total lease liability at the end of the year	11,380,669	10,615,855	2,415	2,453

The maturity analysis of lease liabilities are disclosed in Note 9.2.2.

Notes to the Financial Statements

21.1.3 The following are the amounts recognised in Income Statement:

As at 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
Amortisation expense of right-of-use assets	21.1.1	1,192,456	1,152,850	1,602	1,602
Interest expense on lease liabilities	21.1.2	1,196,185	1,145,761	138	152
Exchange (gain)/ loss	21.1.2	(14,542)	11,854	-	-
Total amount recognised in profit or loss		2,374,099	2,310,465	1,740	1,754

Expenses relating to short-term leases and leases of low value assets amounting to Rs. 169.9 million and Rs. 1.9 million (2023 - Rs. 142.9 million and Rs. 2.9 million) have been recognized in the Income Statement by the Group and the Company, respectively.

The Group had total cash outflows for leases of Rs. 1,782 million in 2024 (2023 - Rs. 1,649 million).

22 INVESTMENT PROPERTY

Accounting policy

Basis of measurement

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the Income Statement in the year in which they arise. Fair values are evaluated at least every 3 years by an accredited external independent valuer. The most recent revaluation was carried out on 31st December 2023.

Derecognition

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.

	GROUP		COMPANY	
As at 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
22.1 Carrying value				
At the beginning of the year	645,872	317,250	341,398	317,250
Transferred from property, plant and equipment*	-	307,559	-	-
Net gain from fair value remeasurement	21,869	21,063	16,955	24,148
At the end of the year	667,741	645,872	358,353	341,398
Freehold property	667,741	645,872	358,353	341,398
Carrying value	667,741	645,872	358,353	341,398

*On 31st December 2022, JMSL has initially recognised its leasehold land at Jaltara, Ranala as an investment property upon fulfilling the recognition criteria. Previously, the relevant costs pertaining to the leasehold land was capitalized under property plant & equipment as capital work in progress costs. As of the initial recognition date, these have been transferred to the investment property. The initial valuation was performed by an independent professional valuer on 31st December 2022.

22.2 Valuation details of investment property

Accounting judgements, estimates and assumptions

Fair value of the Investment Property is ascertained by annual independent valuations carried out by Messrs.' P B Kalugalagedara & Associates - Chartered valuation surveyors as at 31st December 2023, that has recent experience in valuing properties of similar location and category. Investment Property was appraised in accordance with SLFRS 13 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 changes in fair value are recognised in the Income Statement. The determined fair values of investment properties were based on the open market value method.

Property	Name of Chartered Valuation surveyor	Method of valuation	Sensitivity of unobservable inputs				Correlation to fair value
			Estimated price per perch		Estimated price per square foot		
			2024	2023	2024	2023	
Ceylon Cold Stores PLC							
Land	P.B.Kalugalagedara	Open market value method	Rs. 1,900,000	Rs. 1,800,000	-	-	Positive
Building	P.B.Kalugalagedara	Open market value method	-	-	Rs. 2,000	Rs. 2,000	Positive
Jaykay Marketing Services (Pvt) Ltd							
Leasehold property	P.B.Kalugalagedara	Investment method	Rs. 270,000- Rs. 400,000	Rs. 225,000- Rs. 300,000	-	-	Positive

Notes to the Financial Statements

22.3 Income and expenses arising from investment property

Investment property generated rental income and direct operating expenses arising from investment property are as follows;

	COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000
Rent Income	617	436

Jaykay Marketing Services (Pvt) Ltd

No rental income or direct operating expenses generated by the Investment Property during the year.

23 INTANGIBLE ASSETS

Accounting policy

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to Income Statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the 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.

Accounting policy

Purchased software

Purchased software is recognised as intangible assets and is amortised on a straight-line basis over its useful life.

Software license

Software license costs are recognised as an intangible asset and amortised over the period of expected future usage of related ERP systems.

Developed Software

Expenditure on internally developed software is recognised as an asset when the company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

A summary of the policies applied to the Group's intangible assets is as follows;

Intangible assets	Useful life	Acquired/ Internally generated	Impairment testing/ amortisation
Purchased Software	3 - 10	Acquired	Testing for impairment is carried out when indicators of impairment arise. The amortisation method is reviewed at each financial year end.
Software Licenses	3 - 6	Acquired	
Developed Software	10	Internally generated	

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

Notes to the Financial Statements

23.1 As at 31st March

As at 31 March	Software Licenses Rs.'000	Software Purchased Rs.'000	Software Developed Rs.'000	Goodwill** Rs.'000	2024 Rs.'000	2023 Rs.'000
Group						
Cost						
At the beginning of the year	146,379	1,491,567	2,975,672	115,006	4,728,624	3,496,664
Additions	1,788	220,652	975,919	235,707	1,434,066	1,232,476
Disposals / de-recognition	-	-	-	-	-	(516)
At the end of the year	148,167	1,712,219	3,951,591	350,713	6,162,690	4,728,624
Accumulated amortisation						
At the beginning of the year	(22,715)	(730,992)	(373,873)	-	(1,127,580)	(674,473)
Amortisation	(9,688)	(212,174)	(328,589)	-	(550,451)	(413,668)
Transfers*	-	-	-	-	-	(39,475)
Disposals / de-recognition	-	-	-	-	-	36
At the end of the year	(32,403)	(943,166)	(702,462)	-	(1,678,031)	(1,127,580)
Carrying value						
As at 31 March 2024	115,764	769,053	3,249,129	350,713	4,484,659	-
As at 31 March 2023	123,664	760,575	2,601,799	115,006	-	3,601,044

As at 31 March	Software Licenses Rs.'000	Software Purchased Rs.'000	Software Developed Rs.'000	Goodwill** Rs.'000	2024 Rs.'000	2023 Rs.'000
Company						
Cost						
At the beginning of the year	4,104	43,613	982,876	-	1,030,593	478,938
Additions	706	1,350	509,104	235,707	746,867	551,655
At the end of the year	4,810	44,963	1,491,980	235,707	1,777,460	1,030,593
Accumulated amortisation						
At the beginning of the year	(3,378)	(33,043)	(76,023)	-	(112,444)	(60,854)
Amortisation	(484)	(4,440)	(117,986)	-	(122,910)	(51,590)
At the end of the year	(3,862)	(37,483)	(194,009)	-	(235,354)	(112,444)
Carrying value						
As at 31 March 2024	948	7,480	1,297,971	235,707	1,542,106	-
As at 31 March 2023	726	10,570	906,853	-	-	918,149

*Includes, transfer between class of assets and reclassification

**Goodwill- The recoverable amount of the cash generating unit relevant to the goodwill is more than the carrying amount at the end of the reporting period. Therefore, no impairment loss is recognised in respect of goodwill as at 31st March 2024. The additions for the year include the goodwill which arose on the acquisition of a PET bottling and can manufacturing facility.

An amount of Rs. 509 million (2023 - Rs. 551 million) has been recognised as research and development expenditure during the period.

23.2 Goodwill

Accounting judgements estimates and assumptions

Goodwill acquired through business combination is due to the purchase of Jaykay Marketing Services (Pvt) Ltd and goodwill is tested for impairment as explained below.

Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Cash Generating Unit (CGU)

The recoverable amount of the CGU has been determined based on the value in use (VIU) calculation.

Key assumptions used in the VIU calculations

Gross margins

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

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium which is 15%.

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 industry growth rates of one to four years immediately subsequent to the budgeted year.

The Management tested several scenario based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to Value in Use which was computed.

23.3 Intangible assets that have been fully amortised and continue to be in use by the Group are as follows.

	GROUP		COMPANY	
As at 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Cost of fully amortised intangible assets	175,613	156,287	25,571	25,287

Notes to the Financial Statements

24 INVESTMENTS IN SUBSIDIARIES

Accounting policy

Investment in Subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of investment in Subsidiaries are immediately recognised in the Income Statement. Following initial recognition, investment in Subsidiaries are carried at cost less any accumulated impairment losses.

As at 31st March	Number of shares No. '000	Effective holding %	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
24.1 Carrying value				
Investment in subsidiaries				
Unquoted ordinary shares				
Jaykay Marketing Services (Pvt) Ltd	202,239	100	1,022,892	1,022,892
The Colombo Ice Company (Pvt) Ltd	170,000	100	1,745,518	1,745,518
Logipark International (Pvt) Ltd*	105,875	100	-	-
Unquoted preference shares				
Jaykay Marketing Services (Pvt) Ltd**	80,000		200,000	200,000
			2,968,410	2,968,410

*LogiPark International (Pvt) Ltd is a wholly owned Subsidiary of Jaykay Marketing Services (Pvt) Ltd.

**On 17 July 2013 the Company invested a sum of Rs 200 million in 80,000,000, 10% Non-Cumulative, Non-Voting, Redeemable Preference Shares valued at Rs. 2.50 per share. The date of redemption shall be any time after five (05) years from the date of issue to be determined by the Board of Directors of Jaykay Marketing Services (Pvt) Ltd.

25 NON-CURRENT FINANCIAL ASSETS

Accounting policy

Non-current financial assets within the scope of SLFRS 9 are classified as financial assets at initial recognition.

As at 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
25.1 Non-current financial assets					
Loans to executives - Receivable between one and five years	25.2	535,834	395,138	300,836	196,278
Unquoted equity investments	25.3	5,735,080	6,277,679	5,735,080	6,277,679
Total non-current financial assets		6,270,914	6,672,817	6,035,916	6,473,957

As at 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
25.2 Loans to executives					
At the beginning of the year		512,549	397,460	268,913	208,242
Loans granted		478,329	379,010	292,722	212,043
Recoveries		(334,225)	(263,921)	(181,785)	(151,372)
At the end of the year		656,653	512,549	379,850	268,913
Receivable within one year	28	120,819	117,411	79,014	72,635
Receivable after one year					
Receivable between one and five years		535,834	395,138	300,836	196,278
		656,653	512,549	379,850	268,913

As at 31st March	Number of shares No. '000	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
25.3 Unquoted equity investments					
Waterfront Properties (Pvt) Ltd (WPL)*	539,286				
At the beginning of the year		6,277,679	7,205,811	6,277,679	7,205,811
Remeasurement loss recognised for the year		(542,599)	(928,132)	(542,599)	(928,132)
At the end of the year		5,735,080	6,277,679	5,735,080	6,277,679

The unquoted equity investment has been fair valued using the Discounted Cash Flow Method of the investee (WPL). The value per share of WPL as at 31st March 2024 was Rs. 10.63 (2023: Rs.11.64). As noted below, the valuation of WPL is carried out considering the project cash flows. The Company shareholding in WPL as at the reporting date was 3.14% (2023 - 3.54%).

Notes to the Financial Statements

25.3 Unquoted equity investments (Contd.)

Details of the valuation as at 31st March 2024 are given below;

The valuation of the investment in Waterfront Properties (Pvt) Ltd (WPL) has been conducted based on the Discounted Cash Flow Method.

Discounted Cash Flow Method

Estimates the fair market value of the entity considering the future cash flow generation of the Company, as of now. Projected cash flows are discounted using cost of equity, to arrive at the net present value of the investment. Key assumptions used in the Discounted Cash Flow Method are noted below;

- **Forecast Horizon**

  Cash Flows have been forecasted for 5 years, with the terminal value based on an appropriate terminal growth rate in line with the market.

- **Revenue, EBITDA Margins and Cashflow Projections**

  Revenue and EBITDA margins have been adjusted for project specific aspects and the margin projections are based on the extrapolation of existing operations in the market and independent market studies, as applicable, and the performance of similar integrated properties regionally. The cash flows are forecasted under a base case scenario, considering all aspects of the integrated resort offering.

  A minority discount has also been factored in given the Company's shareholding percentage in WPL, which is relatively low on a standalone basis.

- **Discount Rate**

  The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The cost of equity reflects the current and expected discount rates, while taking into account the long-term nature of the investment.

Details of the valuation as at 31st March 2023 are given below;

The valuation of the investment in Waterfront Properties (Pvt) Ltd (WPL) has been conducted based on the Discounted Cash Flow Method.

Discounted Cash Flow Method

Estimates the fair market value of the entity considering the future cash flow generation of the Company, as of now. Projected cash flows, which are denominated in USD, are discounted at a USD cost of equity, to arrive at the net present value of the investment. Key assumptions used in the Discounted Cash Flow Method are noted below;

- **Forecast Horizon**

  Cash Flows have been forecasted for 6 years, with the Terminal Value based on an appropriate terminal growth rate in line with the market.

- **Revenue, EBITDA Margins and Cashflow Projections**

  Revenue and EBITDA margins have been adjusted for project specific aspects and the margin projections are based on the extrapolation of existing operations in the market and independent market studies, as applicable, and the performance of similar integrated properties regionally. The cash flows are forecasted under a base case scenario, considering all aspects of the integrated resort offering, and assuming a normalised macroeconomic environment.

  A minority discount has also been factored in given the Company's shareholding percentage in WPL, which is relatively low on a standalone basis.

- **Discount Rate**

  The USD discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The USD cost of equity has been updated to reflect the current and expected discount rates, while taking into account the long-term nature of the investment.

26 OTHER NON-CURRENT ASSETS

Accounting policy

Group classifies all non financial non-current assets that are not expected to be realised within twelve months under other non-current assets.

	GROUP		COMPANY	
As at 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Prepaid staff cost*	111,257	149,472	21,191	96,878
Deposits	1,015,948	923,353	18,523	16,778
Prepaid rent and advances	2,400	13,180	-	-
	1,129,605	1,086,005	39,714	113,656

**Prepaid staff cost represent the prepaid portion of the loans granted to the Staff.*

27 INVENTORIES

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory provisions are recognized in cases where the expected net realizable value of inventory is lower than its carrying amount, including provisions for obsolete, slow moving stock and waste. The provision is based on periodical reviews performed by the Group. All inventory provisioning requires a level of judgement on how the condition of inventory is impacted by wastage and spoilages, shelf-life of products, slow moving and seasonal products and other industry compliance requirements.

Inventory	Basis of valuation
Raw materials, machinery spares and other inventories	Actual cost on a weighted average basis
Finished goods, Supermarket inventories and work-in-progress	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs

Notes to the Financial Statements

27 INVENTORIES (CONTD.)

As at 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
Raw materials		1,920,859	2,194,282	1,403,735	1,696,285
Work-in-progress		175,484	238,800	125,462	175,677
Finished goods and retail (supermarket) goods		9,696,129	11,081,051	790,961	887,671
Machinery spares		850,647	756,694	505,177	498,507
Other inventories		216,542	461,780	42,602	60,208
Provision for slow moving inventories	27.1	(300,317)	(242,227)	(153,098)	(81,808)
		12,559,344	14,490,380	2,714,839	3,236,540

27.1 Movement in the provision for slow-moving inventories

As at 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
At beginning of the year	242,227	220,069	81,808	85,397
Charge for the year	58,090	22,158	71,290	(3,589)
At end of the year	300,317	242,227	153,098	81,808

28 TRADE AND OTHER RECEIVABLES

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 17 to 75 days. In 2024, Rs. 102 million and Rs. 68 million (In 2023, Rs. 79 million and Rs. 69 million) were recognised as provision for expected credit losses on trade receivables by the Group and the Company respectively.

As at 31st March	Notes	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
Trade receivables		7,099,574	4,964,983	3,206,263	2,348,183
Allowance for expected credit loss		(101,519)	(79,448)	(68,460)	(69,319)
		6,998,055	4,885,535	3,137,803	2,278,864
Deposits and other receivables		105,497	86,055	34,631	69,997
Loans to executives	25.2	120,819	117,411	79,014	72,635
		7,224,371	5,089,001	3,251,448	2,421,496

29 OTHER CURRENT ASSETS

Accounting policy

Group classifies all non financial current assets under other current assets.

As at 31st March	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Pre-payments	329,528	316,375	7,224	10,050
Advances	542,287	196,984	425,335	109,169
Other receivables	328,514	694,239	54,173	812
	1,200,329	1,207,598	486,732	120,031

30 SHORT-TERM INVESTMENTS

Accounting policy

Group classifies investment in government securities, other short-term investments and term deposits with a maturity of twelve months or less, under short-term investments.

Short-term investments are liquid assets or cash, which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation.

As at 31st March	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Deposits at bank	-	243,742	-	-
Reported in Statement of Cash Flow	-	243,742	-	-

Notes to the Financial Statements

31 STATED CAPITAL

As at 31st March	GROUP AND COMPANY			
	2024		2023	
	Number of shares No. '000	Value of shares Rs.'000	Number of shares No. '000	Value of shares Rs.'000
Fully paid ordinary shares	950,400	918,000	950,400	918,000
Fully paid preference shares	25	200	25	200
		918,200		918,200
Fully paid ordinary shares				
At the beginning of the year	950,400	918,000	950,400	918,000
At the end of the year	950,400	918,000	950,400	918,000
Fully paid preference shares				
At the beginning of the year	25	200	25	200
At the end of the year	25	200	25	200

The issued ordinary shares of the Company are listed on the Colombo Stock Exchange.

32 REVENUE RESERVES

As at 31st March	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Retained earnings	16,066,477	14,531,921	11,671,714	10,859,721
	16,066,477	14,531,921	11,671,714	10,859,721

33 OTHER COMPONENTS OF EQUITY

		GROUP		COMPANY	
As at 31st March	Notes	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Revaluation reserve on					
Land	33.1	978,380	946,855	978,380	946,855
Building	33.1	1,169,220	895,269	385,148	330,801
		2,147,600	1,842,124	1,363,528	1,277,656
Employee share option plan reserve	34	712,608	636,807	408,841	373,966
Fair value reserve of financial assets at FVOCI	33.2	605,812	1,148,411	605,812	1,148,411
		3,466,020	3,627,342	2,378,181	2,800,033

33.1 Revaluation reserve consists of the surplus on the revaluation of land and buildings net of deferred tax effect.

33.2 Fair value reserve of financial assets at FVOCI includes changes in fair value of equity instruments, net of deferred tax effect.

34 SHARE-BASED PAYMENT PLANS

Employee Share Option Scheme

Accounting policy

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 1 April 2013 onwards.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Income Statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Notes to the Financial Statements

34 SHARE-BASED PAYMENT PLANS (CONTD.)

Employee Share Option Scheme

Accounting policy

Employee Share Option Scheme

Under the John Keells Group's employees share option scheme (ESOP), share options of the parent are granted to executives of the Group generally with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. the performance criteria being a minimum performance achievement of ""met expectations"" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. there are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Accounting judgements, estimates and assumptions

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information were used and results were generated using binomial model for ESOP.

As at 31st March	2024 Plan no 11 Award 2.1	2024 Plan no 11 Award 2	2023 Plan no 11 award 1	2022 Plan no 10 award 3	2021 Plan no 10 award 2	2020 Plan no 10 award 1
Dividend yield (%)	2.07	2.54	2.90	3.28	3.87	3.62
Expected volatility (%)	25.05	24.99	24.15	22.37	21.35	17.47
Risk free interest rate (%)	14.49	26.92	23.10	8.87	6.44	9.83
Expected life of share options (Years)	5.00	5.00	5.00	5.00	5.00	5.00
Weighted average share price at the grant date (LKR)	158.36	137.83	119.85	132.63	134.74	138.70
Weighted average remaining contractual life for the share options outstanding (Years)	3.00	3.00	3.00	3.00	3.00	3.00
Weighted average fair value of options granted during the year (LKR)	52.79	45.94	39.95	44.21	44.91	46.23
Exercise price for options outstanding at the end of the year (LKR)	145.59	137.86	121.91	136.64	132.86	136.97
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2024)	145.59	137.86	121.91	136.34	132.86	136.97

		GROUP		COMPANY	
As at 31st March	**Notes**	**2024 Rs.'000**	**2023 Rs.'000**	**2024 Rs.'000**	**2023 Rs.'000**
At the beginning of the year		636,807	576,488	373,966	346,680
Share-based payments expense during the year		75,801	60,319	34,875	27,286
At the end of the year	33	712,608	636,807	408,841	373,966

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	GROUP		COMPANY	
As at 31st March	**2024 No.**	**2024 WAEP**	**2024 No.**	**2024 WAEP**
Outstanding at 1 April	7,123,851	136.30	3,416,906	136.98
Granted during the year	1,220,850	145.42	568,650	145.59
Transfer in	35,877	153.71	15,200	137.86
Exercises	(873,075)	149.71	(453,750)	133.45
Lapses / forfeited	(1,656,500)	150.98	(788,806)	153.50
Outstanding at 31 March	5,851,003	133.01	2,758,200	134.62
Vested as at 31 March	2,332,164	133.53	1,195,125	133.66

Fair value of the share option and assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected volatility of share price, expected dividend yield and risk free interest rate.

35 INTEREST-BEARING LOANS AND BORROWINGS

	GROUP		COMPANY	
For the year ended 31st March	**2024 Rs.'000**	**2023 Rs.'000**	**2024 Rs.'000**	**2023 Rs.'000**
35.1 Movements				
At the beginning of the year	9,020,506	10,487,021	329,202	372,298
Cash movements				
Loans obtained	758,212	708,754	758,212	8,754
Repayments	(2,112,098)	(2,175,269)	(97,750)	(51,850)
At the end of the year	7,666,620	9,020,506	989,664	329,202
35.2 Total Borrowings				
Borrowings under non-current liabilities	3,163,570	6,850,410	746,614	227,802
Borrowings under current liabilities	4,503,050	2,170,096	243,050	101,400
	7,666,620	9,020,506	989,664	329,202

Notes to the Financial Statements

35.3 Details of Group's interest bearing loans and borrowings are as follows;

Company	Nature of facility	Interest rate and security	Repayment terms	2024 Rs.'000	2023 Rs.'000
Ceylon Cold Stores PLC	Term loan	Fixed rate on clean basis	48 monthly instalments commencing from August 2022 after one year grace period	138,800	196,400
Ceylon Cold Stores PLC	Term loan	Fixed rate on clean basis	48 monthly instalments commencing from October 2022 after one year grace period	92,652	132,802
Ceylon Cold Stores PLC	Term loan	Monthly AWPLR on clean basis	48 monthly instalments commencing from October 2024 after one year grace period	758,212	-
Jaykay Marketing Services (Pvt) Ltd	Term loan	Fixed rate on clean basis	20 equal quarterly instalments	1,400,000	2,200,000
	Term loan	Fixed rate on clean basis	20 equal quarterly instalments	900,000	1,200,000
	Term loan	Fixed rate on clean basis	Repayment on maturity	2,000,000	2,000,000
Logipark International (Pvt) Ltd	Term loan	3 months Cost of funds plus margin and mortgage over the property	15 equal quarterly instalments after one year grace and the final payment to be paid in the 58th Month	2,376,956	3,291,304
				7,666,620	9,020,506

36 EMPLOYEE BENEFIT LIABILITIES

Accounting policy

Employee contribution plans - 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 Group contributes the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee Defined Benefit Plan - Gratuity

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in Statement of Comprehensive Income under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

		GROUP		COMPANY	
As at 31st March	Note	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
36.1 Employee benefit liabilities					
Employee defined benefit plan - gratuity	36.3	1,087,876	754,113	575,183	398,975
At the end of the year		1,087,876	754,113	575,183	398,975

		GROUP		COMPANY	
As at 31st March	Note	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
36.2 Total employee benefit provisions and related costs					
Employee defined benefit plan - gratuity	36.3	252,010	150,017	112,007	67,669
Other long-term employee benefits	36.4	-	(120,672)	-	(77,369)
		252,010	29,345	112,007	(9,700)

Notes to the Financial Statements

As at 31st March	Note	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
36.3 Employee defined benefit plan - gratuity					
At the beginning of the year		754,113	782,234	398,975	477,905
Current service cost		105,186	80,436	34,207	23,222
Interest cost on benefit obligation		146,824	69,581	77,800	44,447
		252,010	150,017	112,007	67,669
Acquisition of a PET bottling and can manufacturing facility	8.1	435	-	435	-
Transfers in / (out)		5,449	684	5,621	(1,923)
Payments		(87,829)	(67,544)	(46,696)	(47,577)
		(82,380)	(66,860)	(41,075)	(49,500)
(Gain)/loss arising from changes in assumptions		163,698	(111,278)	104,841	(97,099)
At the end of the year	36.1	1,087,876	754,113	575,183	398,975
The expenses are recognised in the Income Statement in the following line items;					
Cost of sales		120,961	93,141	58,251	37,025
Selling and distribution expenses		30,061	19,109	30,061	18,913
Administrative expenses		100,988	37,767	23,695	11,731
	36.2	252,010	150,017	112,007	67,669

The employee benefit liabilities of the Group is based on the actuarial valuations carried out by Messrs. Smiles Global (Pvt) Ltd.

As at 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
36.4 Other long-term employee benefits				
At the beginning of the year	-	120,672	-	77,369
Current service cost	-	(120,672)	-	(77,369)
At the end of the year	-	-	-	-

36.5 Accounting judgments, estimates and assumptions

Employee benefit liability - gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

	GROUP		COMPANY	
For the year ended 31st March	**2024**	**2023**	**2024**	**2023**
Discount rate	11%-12%	19.5%	12%	19.5%
Future salary increases				
Executives	12%	15%	12%	15%
Non-Executives	12%	15%	12%	15%
Retirement Age;				
Executive staff and sales representative				
As on 17 Nov 2021, employees who have attained the age of;				
Less than 52 years	60 years	60 years	60 years	60 years
53 years	59 years	59 years	59 years	59 years
54 years	58 years	58 years	58 years	58 years
55 years	57 years	57 years	57 years	57 years
Clerical and factory staff	60 years	60 years	60 years	60 years

The Management tested several scenario based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to retirement benefit obligations liability of the Group and the Company.

36.6 Sensitivity of assumptions used

A percentage point change in the assumptions would have the following effects to employee benefit plan - gratuity;

	GROUP		COMPANY	
For the year ended 31st March	**2024 Rs.'000**	**2023 Rs.'000**	**2024 Rs.'000**	**2023 Rs.'000**
Discount rate				
1% Increase	(40,405)	(3,946)	(23,049)	(14,232)
1% Decrease	43,785	5,949	25,022	15,338
Salary increment rate				
1% Increase	46,516	9,476	27,031	17,675
1% Decrease	(43,654)	(7,439)	(25,307)	(16,613)

Notes to the Financial Statements

36.7 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Within the next 12 months	36,177	25,626	34,583	24,541
Between 1 and 5 years	758,505	143,220	271,172	138,990
Between 5 and 10 years	289,747	573,793	266,128	233,769
Beyond 10 years	3,447	11,474	3,300	1,675
Total expected payments	1,087,876	754,113	575,183	398,975
Weighted average duration (years) of defined benefit obligation	6.19	7.08	6.58	7.37

37 OTHER NON-CURRENT LIABILITIES

Accounting policy

The Group classifies all non-financial non-current liabilities which comprises distributor deposits under other non-current liabilities.

Deposit on returnable containers and crates represents the cash deposits collected from distributors when issuing returnable containers and crates by the Company. At the time of termination of a distributor the deposit is refunded in case the returnable containers and crates were returned to the Company or the deposit was forfeited to the extent the returnable containers and crates were not returned to the Company. At each reporting date, the Company evaluates the liability based on a mathematical formula that considers the tenure of the distributorship and number of return crates and containers. Any difference between the calculated liability and the book balance is transferred to the Income Statement.

		GROUP		COMPANY	
As at 31st March	Note	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Deposits with the Company	37.1	111,259	104,035	111,259	104,035
		111,259	104,035	111,259	104,035

As at 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
37.1 Deposits with the Company				
At the beginning of the year	104,035	96,183	104,035	96,183
Deposits received during the year	25,254	6,001	25,254	6,001
Deposits settled during the year	(35,800)	(14,150)	(35,800)	(14,150)
Charge during the year*	17,770	16,001	17,770	16,001
	111,259	104,035	111,259	104,035

*During the year 2023/24, a detailed analysis was undertaken by the management to establish the liability considering the past data relating to distributor termination, refund and forfeiture of deposits. A mathematical formula was derived from this analysis taking into consideration the tenure of distributorship and the number of returnable containers and crates returned at the point of distributor termination. The liability calculated based on this model was compared against the balance as per the books of accounts. The difference arising out of this was transferred to the Income Statement.

38 TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year. Trade and other payables are normally non-interest bearing and settled within one year.

For the year ended 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
Trade payables	13,775,679	11,424,935	656,127	833,321
Accrued expenses	2,068,526	1,571,245	591,842	456,288
Sundry creditors and other payables	1,607,137	1,330,123	1,024,061	791,264
	17,451,342	14,326,303	2,272,030	2,080,873

Notes to the Financial Statements

39 OTHER CURRENT LIABILITIES

Accounting policy

The Group classifies all non-financial current liabilities under other current liabilities.

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Other taxes payable	1,295,783	700,825	665,895	349,885
Other payables*	345,098	213,965	-	-
Contract liabilities**	378,943	376,272	-	-
	2,019,824	1,291,062	665,895	349,885

*Other payables consists of loyalty awards points payable to customers, by the supermarket segment of the Group.

**Contract liabilities include gift vouchers sold to customers by the supermarket segment of the Group.

The Group operates the Nexus loyalty programme where customers accumulate points for purchases made which entitle them to redeem such points on future purchases. The cost of Nexus loyalty points is a part of the fair value of the consideration received and recognised as a liability and subsequently recognised as revenue over the period that the award points are redeemed. The value of points awarded is treated as a deduction from revenue. Nexus membership is valid for a period of 3 years and if a member fails to renew his membership within 3 months from such expiry, his/her entitlement to reward points would be null and void.

40 SHORT-TERM BORROWINGS

Accounting policy

Short-term borrowings are interest-bearing borrowings of the Group which fall due within 12 months from the end of the financial year. These are obtained for working capital requirements.

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Bank borrowings*	900,000	1,185,340	500,000	237,178
	900,000	1,185,340	500,000	237,178

*The movement during the year is reflected in the Statement of Cash Flows under financing activities on a net basis since the turnover is quick, the amounts are large, and maturities are short.

41 RELATED PARTY TRANSACTIONS

Accounting policy

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business on an arm's length basis with the related entities.

Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

The governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee" under the Corporate Governance Commentary section and Corporate information in Note 1 to the Financial Statements.

Non-recurrent related party transactions

There were no non-recurrent related party transactions of which the aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group's Consolidated Audited Financial Statements as at 31st March 2023, which requires additional disclosures in this Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2023 audited Financial Statements, which requires additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission directive issued under Section 13(c) of the Securities and Exchange Commission Act.

		GROUP		COMPANY	
As at 31st March	Note	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
41.1 Amounts due from related parties					
Entity including its affiliated entities with significant influence over parent		63,754	-	-	-
Ultimate Parent		-	-	-	-
Subsidiaries		-	-	243,137	238,885
Companies under common control		92,850	27,567	14,535	5,000
Equity accounted investees of Ultimate Parent		3,611	481	-	-
Key management personnel		-	-	-	-
	41.3	160,215	28,048	257,672	243,885

		GROUP		COMPANY	
As at 31st March	Note	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
41.2 Amounts due to related parties					
Entity including its affiliated entities with significant influence over parent		416,116	-	280,147	-
Ultimate Parent		624,617	653,527	156,767	446,761
Companies under common control		282,891	355,952	13,306	4,880
Equity accounted investees of Ultimate Parent		-	859	-	-
Key management personnel		-	-	-	-
	41.4	1,323,624	1,010,338	450,220	451,641

Notes to the Financial Statements

As at 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
41.3 Amounts Due from Related Parties				
Entity including its affiliated entities with significant influence over parent	63,754	-	-	-
Ultimate Parent				
John Keells Holdings PLC	-	-	-	-
Subsidiaries				
Jaykay Marketing Services (Pvt) Ltd	-	-	180,679	195,566
The Colombo Ice Company (Pvt) Ltd	-	-	62,346	43,210
LogiPark International (Pvt) Ltd	-	-	112	109
Companies Under Common Control				
Asian Hotels & Properties PLC	-	-	557	59
Beruwala Holiday Resorts (Pvt) Ltd	1,556	327	1,410	292
British Overseas (Pvt) Ltd	1,049	36	-	-
Cinnamon Hotel Management Ltd	-	37	-	-
Colombo West International (Pvt) Ltd	149	-	-	-
Habarana Lodge Ltd	752	94	751	89
Habarana Walk Inn Ltd	489	160	489	157
Hikkaduwa Holiday Resorts (Pvt) Ltd	1,473	265	771	257
John Keells CG Auto (Pvt) Ltd	61,925	-	-	-
John Keells International (Pvt) Ltd	1	3	-	-
John Keells Office Automation (Pvt) Ltd	-	2,545	141	218
John Keells PLC	-	89	-	-
John Keells Teas Ltd	1	2	-	-
John Keells Warehousing (Pvt) Ltd	1	3	-	-
Kandy Walk Inn Ltd	2,332	308	443	-
Keells Food Products PLC	-	-	7,863	-
Keells Hotel Management Services (Pvt) Ltd	132	283	-	1,923
Lanka Marine Services Ltd	-	1	-	-
Mack Air (Pvt) Ltd	2	2	-	-
Rajawella Holdings Ltd	3,128	-	-	-
Sancity Hotels & Properties Ltd	694	819	459	623
Tea Small Holder Factories PLC	4	-	-	-
Trans Asia Hotel PLC	4,421	5,235	1,352	990
Trinco Holiday Resorts (Pvt) Ltd	352	398	299	392
Tranquility (Pvt) Ltd	7,184	7,288	-	-
Travel Club (Pvt) Ltd	5,698	5,118	-	-
Union Assurance PLC	1,374	1,000	-	-
Walkers Tours Ltd	-	66	-	-
Waterfront properties (Pvt) Ltd	99	73	-	-
Whittall Boustead (Travel) Ltd	5	102	-	-
Yala Village (Pvt) Ltd	29	16	-	-
Equity Accounted Investees of Ultimate Parent				
DHL Keells (Pvt) Ltd	1,280	481	-	-
Nations Trust Bank PLC	2,331	3,297	-	-
	160,215	28,048	257,672	243,885

For the year ended 31st March	GROUP 2024 Rs.'000	GROUP 2023 Rs.'000	COMPANY 2024 Rs.'000	COMPANY 2023 Rs.'000
41.4 Amounts Due to Related Parties				
Entity including its affiliated entities with significant influence over parent	416,116	-	280,147	-
Ultimate Parent				
John Keells Holdings PLC	624,617	653,527	156,767	446,761
Subsidiary				
Jaykay Marketing Services (Pvt) Ltd	-	-	-	-
The Colombo Ice Company (Pvt) Ltd	-	-	-	-
LogiPark International (Pvt) Ltd	-	-	-	-
Companies Under Common Control				
Asian Hotels & Properties PLC	7,328	346	-	-
Habarana Lodge Limited	-	-	-	3
Infomate (Pvt) Ltd	5,877	3,850	1,363	-
John Keells Information Technology (Pvt) Ltd	987	38,085	491	-
John Keells Logistics (Pvt) Ltd	56,527	70,736	7,559	3,109
John Keells Office Automation (Pvt) Ltd	12,123	-	-	-
John Keells Properties (Pvt) Ltd	-	8,795	-	-
John Keells Foundation	6,104	-	-	-
Keells Consultants (Pvt) Ltd	51	45	-	-
Keells Food Products PLC	174,840	220,239	-	-
Mack International Freight (Pvt) Ltd	6,691	7,847	450	1,631
Mackinnons Travels (Pvt) Ltd	64	136	-	137
Walkers Tours Ltd	347	-	-	-
Whittall Boustead (Pvt) Ltd	11,952	5,873	3,443	-
Equity Accounted Investees of Ultimate Parent				
Fairfirst Insurance Ltd	-	859	-	-
	1,323,624	1,010,338	450,220	451,641

The Group and the Company held interest-bearing deposits of Rs. 18.6 million (2023 - Rs. 31 million) and Rs. 9 million (2023 - Rs. 16 million) respectively, at Nations Trust Bank PLC as at 31st March 2024. The Group did not hold any short-term borrowings as at 31st March 2024. The Group and the Company held overdraft facilities of Rs. 338 million (2023 - Rs. 446 million) and Rs. 338 million (2023- Rs. 31 million) respectively from Nations Trust Bank PLC as at 31st March 2024.

Notes to the Financial Statements

The Group carried out transactions in the ordinary course of business at arm's length basis with the following related entities.

		GROUP		COMPANY	
	For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
41.5	**Transactions with related parties**				
	Entity including its affiliated entities with significant influence over parent				
	Sales of goods	4,015	-	-	-
	Purchase of goods	1,759,263	-	990,258	-
	Rendering of services	57,745	-	-	-
	Ultimate Parent - John Keells Holdings PLC				
	Sale of goods	943	2,393	-	-
	Receiving of services	867,662	481,942	363,575	121,349
	Purchase of intangible assets	644,904	325,523	469,032	117,023
	Subsidiaries				
	Sales of goods	-	-	1,186,967	1,515,195
	Purchase of goods	-	-	412,443	434,111
	Receiving of services	-	-	87,061	44,551
	Rendering of services	-	-	262,975	211,083
	Guarantee income	-	-	-	3,361
	Royalty income	-	-	344,687	304,216
	Dividend received	-	-	1,119,787	814,637
	Companies under common control				
	Sales of goods	383,605	132,944	43,027	11,806
	Purchase of goods	1,425,459	1,763,159	795	-
	Purchase of property, plant and equipment / Intangible assets	73,514	170,058	-	-
	Rendering of services	74,002	52,333	45,150	37,521
	Receiving Services	801,377	1,451,924	92,669	164,456
	Franchise Income Received	17,934	20,608	17,934	20,608
	Loans granted	-	-	-	-
	Key Management personnel (KMP)				
	Sale of goods	-	-	-	-
	Close family members of KMP				
	Sale of goods	-	-	-	-
	Post employment benefit plan				
	Contributions to the provident fund	164,714	141,578	145,519	127,033
41.6	**Transactions with related parties - Equity accounted investees of ultimate parent**				
	Sales of goods	10,866	7,844	-	-
	Rendering of services	21	-	-	-
	Receiving Services	114,364	77,338	85,531	17,946
	Interest paid	(95,103)	(260,363)	(23,017)	(44,185)
	Rent received	14,985	8,810	-	-

41.7 Compensation of key management personnel

Key management personnel include members of the Board of Directors of the Group.

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Short-term employee benefits	214,661	166,627	107,637	85,169
Post employee benefits	4,430	3,505	2,144	1,691
Share based payment	39,853	34,920	19,294	16,883
	258,944	205,052	129,075	103,743

42 CONTINGENT LIABILITIES

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of SLFRS 15 - Revenue from contracts with customers.

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

The contingent liability of the Company as at 31 March 2024, relates to the following;

Income tax assessments relating to years of assessments 2011/12, 2012/2013 and 2013/2014

Assessments were raised by the IRD in November 2014, November 2015 and May 2016 assessing the income from write back of deposits on returnable containers and crates amounting to Rs. 202 million, Rs. 43 million and Rs. 41 million respectively. The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure. Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2024 is estimated at Rs. 36.5 million (2023 - Rs. 36.5 million).

Other than the above there were no other contingent liabilities for the Group at the end of the reporting period.

Notes to the Financial Statements

43 CAPITAL AND OTHER COMMITMENTS

Capital commitments approved and contracted but not provided for as at the reporting date is as follows.

	GROUP		COMPANY	
For the year ended 31st March	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Approved and contracted but not provided	2,809,676	1,664,364	896,495	25,040
Total	2,809,676	1,664,364	896,495	25,040

44 EVENTS AFTER THE REPORTING PERIOD

There were no material events occurring after reporting period that required adjustment to or disclosure to the Financial Statements other than following.

The Board of Directors has approved the payment of a final dividend of Rs 0.89 per share to be paid on or before 11th June 2024.

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 the auditors, prior to approving the final dividend.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2024.

Your Share in Detail

Ordinary Shareholding

Number of Ordinary Shares	950,400,000

Distribution of Shareholders

	31st March 2024			31st March 2023		
Shareholding Range	**No. of Shareholders**	**No. of Shares Held**	**%**	**No. of Shareholders**	**No. of Shares Held**	**%**
Less than or equal to 1,000	1,765	483,118	0.05	1,646	488,826	0.05
1,001 to 10,000	982	4,356,203	0.46	979	4,326,766	0.46
10,001 to 100,000	522	19,103,136	2.01	516	19,341,209	2.04
100,001 to 1,000,000	208	59,965,357	6.31	210	61,740,809	6.50
Over 1,000,001	27	866,492,186	91.17	25	864,502,390	90.96
	3,504	950,400,000	100.00	3,376	950,400,000	100.00

	31st March 2024			31st March 2023		
Categories of Shareholders	**No. of Shareholders**	**No. of Shares Held**	**%**	**No. of Shareholders**	**No. of Shares Held**	**%**
John Keells Holdings & Subsidiaries	2	773,212,040	81.36	2	773,212,040	81.36
Others	3,502	177,187,960	18.64	3,374	177,187,960	18.64
Total	3,504	950,400,000	100.00	3,376	950,400,000	100.00
Sri Lankan Residents	3,372	865,752,503	91.09	3,247	866,394,011	91.16
Non-Residents	132	84,647,497	8.91	129	84,005,989	8.84
Total	3,504	950,400,000	100.00	3,376	950,400,000	100.00
John Keells Holdings & Subsidiaries	2	773,212,040	81.36	2	773,212,040	81.36
Directors and Spouses	6	901,820	0.09	6	901,820	0.09
Public	3,496	176,286,140	18.55	3,368	176,286,140	18.55
Total	3,504	950,400,000	100.00	3,376	950,400,000	100.00

**Percentage of the shares held by the public as at 31st March 2024 is 18.55%. Company had a float adjusted market capitalisation of Rs. 9.5 billion and 3,496 public shareholders as at 31st March 2024. Thus the Company is compliant under option 1 of the minimum threshold requirements for the Main Board of the CSE, as per section 7.6 of the Listing Rules of the CSE.*

Your Share in Detail

TOP 20 SHAREHOLDERS

	As at 31 March	2024 No. of Shares Held	2024 % of Issued Capital	2023 No. of Shares Held	2023 % of Issued Capital
1	John Keells Holdings PLC	671,558,120	70.66	671,558,120	70.66
2	Whittall Boustead (Pvt) Ltd	101,653,920	10.70	101,653,920	10.70
3	GF Capital Global Ltd	21,592,410	2.27	21,592,410	2.27
4	BBH Lux fidelity Funds-Pacific Fund	17,686,730	1.86	17,686,730	1.86
5	JPMCB NA- Fidelity Asian Values PLC	7,726,110	0.81	7,726,110	0.81
6	CITI Bank New York S/A Norges Bank Account 2	7,054,923	0.74	12,637,395	1.33
7	BBH-Redwheel Frontier Markets Equity Master Fund Limited	6,213,331	0.65	-	-
8	Caceis Bank, Luxembourg Branch	3,285,284	0.35	3,285,284	0.35
9	Sisira Investors Ltd	2,591,320	0.27	2,591,320	0.27
10	BNPP SIN/2S-BNP Paribas as trustee for Harvest Fund Series	2,454,500	0.26	1,487,600	0.16
11	DCS CLT ACC for Deutsche Bank AG Singapore - PWM WM Client	1,980,623	0.21	2,409,870	0.25
12	J.B. Cocoshell (Pvt) Ltd	1,950,379	0.21	1,733,272	0.18
13	Life Insurance Corporation (Lanka) Ltd	1,944,120	0.20	1,944,120	0.20
14	Est. of Late M Radhakrishnan (Deceased)	1,692,560	0.18	1,692,560	0.18
15	Mrs. J R Printer (Deceased)	1,679,360	0.18	1,679,360	0.18
16	Hatton National Bank PLC-Senfin Growth Fund	1,627,050	0.17	1,627,050	0.17
17	Merrill J Fernando & Sons (Pvt) Ltd	1,508,480	0.16	1,508,480	0.16
18	Deutsche Bank AG As Trustee For JB Vantage Value Equity Fund	1,411,390	0.15	1,411,390	0.15
19	Mr. M V Theagarajah	1,335,480	0.14	1,335,480	0.14
20	Ceylon Guardian Investment Trust PLC A/C 02	1,325,463	0.14	1,325,463	0.14

As at 31 March	2024		2023	
SHARE PRICES (Rs.)				
Beginning of the year	40.00		38.90	
Highest for year	57.50	(14.03.2024)	47.00	(09.09.2022)
Lowest for year	37.50	(23.05.2023)	24.00	(07.07.2022)
As at 31 March	53.90		40.00	

Decade at a Glance

GROUP

Year ended 31st March	2024 Rs`000	2023 Rs`000	2022 Rs`000	2021 Rs`000	2020 Rs`000	2019 Rs`000	2018 Rs`000	2017 Rs`000	2016 Rs`000	2015 Rs`000
Trading results										
Gross revenue*	155,714,027	137,368,442	89,238,849	72,571,919	73,924,033	64,880,330	56,744,775	48,043,180	37,632,551	30,968,590
Profit from operating activities	8,155,396	6,185,004	4,744,285	4,112,478	4,786,077	2,605,644	3,640,211	4,788,129	3,928,389	2,160,444
Profit before taxation	4,930,890	2,239,384	2,781,776	2,374,533	3,067,185	2,042,648	3,750,358	5,089,748	4,052,469	2,146,665
Taxation	(1,504,038)	273,284	(713,728)	(36,278)	(931,971)	(732,483)	(1,182,903)	(1,536,845)	(1,177,596)	(621,170)
Profit after taxation	3,426,852	2,512,668	2,068,048	2,338,255	2,135,214	1,310,165	2,567,455	3,552,903	2,874,873	1,525,495
As at 31 March										
Assets, equity and liabilities										
Property, plant & equipment	27,745,731	27,250,176	25,579,561	22,289,230	20,136,947	18,121,188	12,868,657	8,107,133	6,122,560	5,365,259
Investment property	667,741	645,872	317,250	300,295	296,422	254,034	228,601	207,042	111,404	94,457
Investment in associate	-	-	-	-	-	-	-	6,029,201	5,886,679	5,362,161
Right of Use Assets - Leasehold Properties	10,016,369	9,771,877	10,103,030	9,567,318	7,997,183	-	-	-	-	-
Other non-current assets	11,885,178	11,632,363	11,331,951	10,292,030	8,932,928	9,110,722	6,788,933	1,063,349	657,420	532,745
Total non-current assets	50,315,019	49,300,288	47,331,792	42,448,873	37,363,480	27,485,944	19,886,191	15,406,725	12,778,063	11,354,622
Net current assets	(11,985,063)	(10,621,937)	(8,233,402)	(9,330,268)	(10,531,394)	(8,314,480)	(2,154,067)	(375,187)	906,782	471,249
	38,329,956	38,678,351	39,098,390	33,118,605	26,832,086	19,171,464	17,732,124	15,031,538	13,684,845	11,825,871
Long term right of use Lease Liability	10,689,948	9,963,144	9,927,569	8,827,562	7,392,687	-	-	-	-	-
Long-term interest-bearing loans and borrowings	3,163,570	6,850,410	8,307,738	5,141,667	958,333	1,458,333	1,958,333	129,525	15,000	84,073
Other non-current liabilities	4,025,742	2,787,334	2,755,929	2,366,706	2,674,490	2,313,173	2,091,018	1,712,615	1,324,114	1,085,462
Net assets	20,450,697	19,077,463	18,107,154	16,782,670	15,806,576	15,399,958	13,682,773	13,189,398	12,345,731	10,656,336
Represented by										
Stated capital	918,200	918,200	918,200	918,200	918,200	918,200	918,200	918,200	918,200	918,200
Capital reserves	3,466,020	3,627,342	3,876,658	3,501,719	3,200,137	3,029,785	1,196,142	2,168,837	1,682,641	974,395
General reserve	-	-	-	-	-	-	-	-	-	646,000
Retained profits	16,066,477	14,531,921	13,312,296	12,362,751	11,688,239	11,451,973	11,568,431	10,102,361	9,744,890	8,117,741
Shareholder's funds	20,450,697	19,077,463	18,107,154	16,782,670	15,806,576	15,399,958	13,682,773	13,189,398	12,345,731	10,656,336

**Gross revenue includes output VAT*

Key Figures & Ratios

RATIOS & OTHER INFORMATION - GROUP

Year ended 31st March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Dividend per Share (Rs.) - Paid	1.87	1.19	1.20	1.70*	20.00	15.00	15.00	32.00	18.00	11.00
Dividend Payout (%)	51.84	44.91	55.15	69.10	89.02	108.77	55.53	85.61	59.51	68.53
Net Assets per Share (Rs.)**	21.52	20.07	19.05	17.66	16.63	16.20	14.40	13.88	12.99	11.21
Market Value per Share (Rs.)	53.90	40.00	38.90	62.18*	655.00	575.00	950.00	811.00	430.00	298.20
Debt / Equity Ratio (%)	82.32	118.02	98.92	145.88	129.32	71.61	40.50	7.57	5.41	6.65
Interest Cover (No. of Times)	2.43	1.51	2.32	2.29	2.62	4.03	113.50	701.08	336.57	35.59
Earnings per Share (Rs.)	3.61	2.64	2.18	2.46*	22.47	13.79	27.01	37.38	30.25	16.05
Price Earnings Ratio (No. of Times)	14.95	15.13	17.88	25.27	29.15	41.70	35.17	21.70	14.22	18.58
Current Ratio (No. of Times)	0.66	0.68	0.66	0.57	0.51	0.55	0.82	0.95	1.15	1.10
Return on Total Assets (%)	4.71	3.72	3.49	4.53	4.98	3.90	9.87	16.80	15.83	9.51
Return on Equity (%)	17.23	13.40	11.76	14.33	13.41	8.84	18.85	26.95	24.53	14.62
Dividend Yield (%)	3.47	2.97	3.08	2.73	3.05	2.61	1.58	3.95	4.19	3.69
Earnings Yield (%)	6.69	6.61	5.59	3.96	3.43	2.40	2.84	4.61	7.03	5.38

**Adjusted for the 2021/22 share sub-division*

***Net Asset per share has been calculated for all periods, based on the number of shares in issue as at 31st March 2023.*

Group Real Estate Portfolio

Owning Company & Location	No. of Buildings	Buildings in (Sq. ft)	Freehold Land in Acres	Leasehold Land in Acres	2024 NBV / Valuation Rs.'000	2023 NBV / Valuation Rs. '000
Ceylon Cold Stores PLC						
Kaduwela	22	350,597	27.35	-	2,363,346	2,234,943
Trincomalee	3	18,102	1.06	-	358,353	341,398
Kotagala	6	13,354	-	0.71	109,431	105,771
Mathugama	3	24,500	4.31	-	235,780	-
Jaykay Marketing Services (Pvt) Ltd						
Improvements to buildings on leasehold properties	135	1,539,661	-	122.92	18,550,028	17,553,049
The Colombo Ice Company (Pvt) Ltd						
Avissawella	9	182,937	-	9.30	1,827,724	1,836,938
Kotagala	1	1,176	-	0.03	7,656	-
LogiPark International (Pvt) Ltd						
Kerawalapitiya	1	240,000	-	9.36	2,773,515	2,864,152
Consolidated value of land and buildings, right-use assets and investment properties	180	2,370,327	32.72	142.32	26,225,833	24,936,251

Glossary of Financial Terminology

A

ACCRUAL BASIS
Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period

ASSET TURNOVER
Revenue divided by Average Total Assets

C

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt including lease liabilities.

CURRENT RATIO
Current Assets divided by Current Liabilities

D

DEBT / EQUITY RATIO
Total Debt as a percentage of Shareholders' Funds

DIVIDEND PAYABLE
Final Dividend per Share multiplied by the latest available total number of Shares as at the reporting date

DIVIDENDS PER SHARE - PAID
Gross Dividends paid to Ordinary Shareholders divided by number of Ordinary Shares issued

DIVIDEND COVER
Earnings per Share divided by Dividend per Share

DIVIDEND PAYOUT RATIO
Total Dividend paid as a percentage of Consolidated Profits

DIVIDEND YIELD
Dividend per Share as a percentage of Market Price per Share at the end of the period

E

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

EARNINGS YIELD
Earnings per Share as a percentage of Market Price per Share at the end of the period

EBIT
Earnings Before Interest and Tax (includes other operating income)

EBIT MARGIN
EBIT divided by Turnover

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation (Including Other Operating Income and excluding exchange gain/loss).

EFFECTIVE RATE OF TAXATION
Income Tax Including Deferred Tax over Profit Before Tax

ENTERPRISE VALUE
Market Capitalisation + Debt including lease liabilities - Cash

F

FVOCI
Fair Value through Other Comprehensive Income

I

INTEREST COVER
Profit on Operating Activities over Finance Expenses.

L

LONG-TERM DEBT TO TOTAL DEBT
Long-Term Loans as a percentage of Total Debt

M

MARKET CAPITALISATION
Number of Shares in Issue at end of the period multiplied by the Market Price per Share at the end of the period

MARKET VALUE ADDED
Market Capitalisation - Shareholders' Funds

Glossary of Financial Terminology

N

NET ASSETS
Total Assets - Current Liabilities - Long Term Liabilities - Minority Interest

NET ASSET PER SHARE
Net Assets divided by Number of Ordinary Shares in Issue at the end of the period

NET DEBT
Total Debt - (Cash in Hand and at Bank + Short-Term Investments)

NET PROFIT MARGIN
Profit After Tax Attributable to Equity Holders of the Parent divided by Total Revenue

NET WORKING CAPITAL
Current Assets - Current Liabilities

P

PRICE EARNINGS RATIO
Market Price of the Share at the end of the period divided by Earnings per Share

PRICE TO BOOK RATIO
Market Price per Share over Net Asset Value per Share

PUBLIC HOLDING
Percentage of Shares held by the Public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report

Q

QUICK RATIO
Cash + Short-Term Investments + Trade and Other Receivables divided by Current Liabilities

R

RETURN ON ASSETS (ROA)
Profit After Tax divided by Average Total Assets

RETURN ON EQUITY (ROE)
Consolidated Profit After Tax and Minority Interest as a percentage of Average Shareholders' Funds

RETURN ON CAPITAL EMPLOYED (ROCE)
Earnings Before Interest and Tax as a percentage of Capital Employed

S

SHAREHOLDERS' FUNDS
Total of Issued and Fully Paid Share Capital, Capital Reserves and Revenue Reserves

T

TOTAL ASSETS
Fixed Assets + Investments + Non-Current Assets + Current Assets

TOTAL DEBT
Long and short-term loans, including overdrafts, but excluding lease liabilities

TOTAL DEBT / TOTAL ASSETS
Total Debt divided by Total Assets

W

WORKING CAPITAL
Trade Receivables + Inventory + Amount due from Related Parties - Trade and Other Payables - Amount due to Related Parties

Notes

Notes

Notice of Meeting

Notice is hereby given that the 127th Annual General Meeting (AGM) of Ceylon Cold Stores PLC (Company) will be held as a virtual meeting on Tuesday, 18th June 2024 at 11.15 a.m.

The business to be brought before the Meeting will be:

1. To read the notice convening the meeting.

2. To receive and consider the Annual Report and the Financial Statements for the Financial year ended 31st March 2024, with the Report of the Auditors thereon.

3. To re-elect as a Director, Ms. P N Fernando who retires by rotation in terms of Article 84 of the Article of Association of the Company. A brief profile of Ms. P N Fernando is contained in the Board of Directors section of the Annual Report.

4. To re-elect as a Director Mr. K C Subasinghe who retires by rotation in terms of Article 84 of the Article of Association of the Company. A brief profile of Mr. K C Subasinghe is contained in the Board of Directors section of the Annual Report.

5. To re-elect as a Director, Dr. (Ms) R S W Wijeratnam who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:

   Ordinary Resolution
   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Dr. (Ms) R S W Wijeratnam, who is 71 years and that she be re-elected a Director of the Company.

6. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2024/25 and to authorise the Directors to determine their remuneration.

7. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

   This Annual Report and the Financial Statements of the Company are available on the:

   1) Corporate Website - https://www.elephanthouse.lk/media-hub/financial-reports/
   2) CSE Website - https://www.cse.lk/Search Company - Ceylon Cold Stores PLC - (CCS.N0000).

Members may also access the Annual Report and the Financial Statements on their electronic devices by scanning the following QR code.

By Order of the Board

CEYLON COLD STORES PLC

Keells Consultants (Private) Limited
Secretaries

Colombo
20th May 2024

Notice of Meeting

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Mr. Gihan Samarakkody +94 77 275 6890 during normal office hours between 8.30 a.m. and 4.30 p.m. or email gihansa.ccs@keells.com.

Should any Members wish to obtain a hard copy of the Annual Report, they may complete and send the Form of Request to No.148, Vauxhall Street, Colombo 2 or facsimile No. +94 11 244 7422 by filling the Form of Request attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days subject to the prevailing circumstances at the time from the date of receipt of the request.

Note :

a) A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

b) A Proxy need not be a member of the Company.

c) A Member wishing to vote by Proxy at the AGM may use the Form of Proxy enclosed herein.

d) In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 or forwarded to the email address: keellsconsultants@keells.com or facsimile No.+94 11 243 9037 not less than 48 hours before the AGM.

e) Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the AGM in the Form of Proxy.

f) A vote can be taken on a show of hands or by poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by Proxy or corporate representatives. In the event an individual Member and his/her Proxy holder are both present at the AGM, only the Member's vote is counted. If Proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner of vote will be used.

Form of Proxy

I/We ....

.... of .... a...................... being

a shareholder/s of Ceylon Cold Stores PLC hereby appoint ....

....

.... of .... or failing him/her

Mr. Krishan Niraj Jayasekara Balendra	or failing him
Mr. Joseph Gihan Adisha Cooray	or failing him
Mr. Daminda Prabath Gamlath	or failing him
Mr. Kaminda Charitha Subasinghe	or failing him
Ms. Payagalage Nelindra Fernando	or failing her
Mr. Muhammed Hamza	or failing him
Ms. Sharmini Thamara Ratwatte	or failing her
Dr. (Ms.) Romola Shanthi Wilson Wijeratnam	

as my/our Proxy to represent me/us and vote for me/us on my/our behalf at the 127th Annual General Meeting of the Company to be held on Tuesday, 18th June 2024 at 11.15 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	Abstained
1. To re-elect as a Director Ms. P N Fernando who retires in terms of Article 84 of the Articles of Association of the Company			
2. To re-elect as a Director Mr. K C Subasinghe who retires in terms of Article 84 of the Articles of Association of the Company.			
3. To re–elect as a Director, Dr. (Ms) R S W Wijeratnam, who is over the age of 70 years, retires in terms of Section 210 of the Companies Act No. 7 of 2007			
4. To re-appoint Auditors and to authorise the Directors to determine their remuneration.			

Signed on this .... day of .... Two Thousand and Twenty Four (2024)

Signature/s of Shareholder/s

Note :

Instructions as to completion of Form of Proxy are noted on the reverse

Form of Proxy

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 or forwarded to the email address: keellsconsultants@keells.com or facsimile No. +94 11 243 9037 not later than 48 hours before the time appointed for the convening of the AGM.

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 appointor 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 is returned without any indication as to 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	:	....
National Identity Card no	:	....
Share Folio No./CDS Account no	:	....

Corporate Information

NAME OF THE COMPANY
Ceylon Cold Stores PLC

LEGAL FORM
Public Limited Liability Company
Established in 1866 as Colombo Ice Company Limited
Name changed to Ceylon Cold Stores Limited in 1941
Quoted in the Colombo Stock Exchange in January 1970
Registered under the Companies Act No.07 of 2007

COMPANY REGISTRATION NO.
PQ4

REGISTERED OFFICE OF THE COMPANY
No. 117, Sir Chittampalam A Gardiner Mawatha,
Colombo 02, Sri Lanka.
Tel : +94 11 2318798
Fax : +94 11 2447422
E-mail : info.ccs@keells.com
Web : www.elephanthouse.lk

KADUWELA FACTORY
Samadaragahawatte, Ranala, Sri Lanka.
Tel : +94 11 2161700
Fax : +94 11 2161875

HEAD OFFICE OF THE COMPANY
148, Vauxhall Street,
Colombo 02, Sri Lanka.
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Web : www.elephanthouse.lk

CUSTOMER CALL CENTRE
Tel: +94 11 2303800

BOARD OF DIRECTORS
Mr. K N J Balendra (Chairperson)
Mr. J G A Cooray
Mr. D P Gamlath
Mr. K C Subasinghe
Ms. P N Fernando
Mr. M Hamza
Dr. (Ms.) R S W Wijeratnam
Ms. S T Ratwatte

AUDIT COMMITTEE
Ms. S T Ratwatte (Chairperson)
Dr. (Ms.) R S W Wijeratnam
Mr. M Hamza

SECRETARIES AND REGISTRARS
Keells Consultants (Pvt) Ltd.
No. 117, Sir Chittampalam A Gardiner
Mawatha, Colombo 02, Sri Lanka.
Tel : +94 11 230 6245
Fax : +94 11 243 9037

EXTERNAL AUDITORS
Ernst & Young
Chartered Accountants
Rotunda Towers,
109, Galle Road,
Colombo 03, Sri Lanka.

INTERNAL AUDITORS
Deloitte Advisory Services (Pvt) Ltd
100, Braybrooke Place,
Colombo 02, Sri Lanka.

BDO PARTNERS
Chartered Accountants
Charter House,
65/2, Sir Chittampalam A Gardiner Mawatha,
Colombo 02, Sri Lanka.

BANKERS
Bank of China
Commercial Bank of Ceylon PLC
Citibank N.A
Deutsche Bank AG
Hatton National Bank PLC
Habib Bank Limited
Hongkong & Shanghai Banking Corporation Ltd
Nations Trust Bank PLC
Standard Chartered Bank
Sampath Bank PLC
Seylan Bank PLC
The National Development Bank PLC
Union Bank of Colombo PLC

SUBSIDIARIES
Jaykay Marketing Services (Pvt) Ltd
LogiPark International (Pvt) Ltd
The Colombo Ice Company (Pvt) Ltd

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emagewise
Digital plates and Printing by Printel (Pvt) Ltd

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