ENDURANCE

Ceylon Cold Stores PLC | Annual Report 2022/23

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ENDURANCE

At Ceylon Cold Stores, we have endured and thrived for over a century and a half, through a myriad challenges and opportunities. We have navigated through the unprecedented challenges of the past year to maintain our market leadership and excellence by adopting strategies crafted through our agility, responsiveness and strategic vision to ensure our endurance. While instilling our corporate values in our every endeavour, we have continuously evolved our portfolio and extended our best to each and every one of our stakeholders. Our endurance through the years has reaffirmed the hallmarks of our heritage, defined by our commitment to delight our customers with the best of taste, quality and service.

Elephant House™

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OUR HISTORY

For 157 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.

OUR APPROACH TO REPORTING

REPORTING GUIDANCE

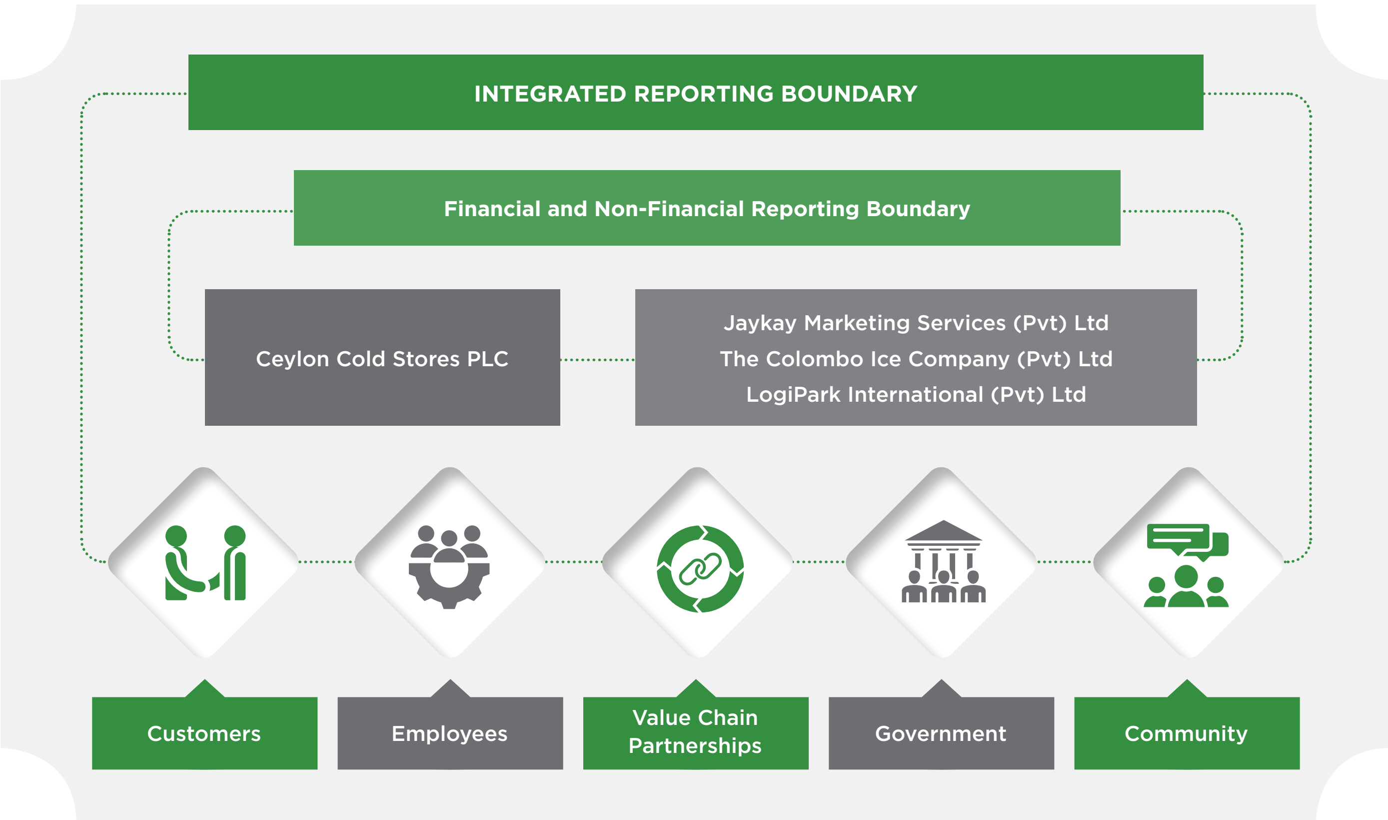
This is the 8th Integrated Annual Report presented by Ceylon Cold Stores PLC and provides a holistic, balanced and concise overview of how it created value during the financial year ending 31st March 2023. As our primary publication to shareholders, this Report includes information about how we directed strategy through an extremely challenging operating landscape, our corporate governance and risk management practices, performance and outlook 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 alongside the financial information presented in the Financial Statements and the narrative represents consolidated information unless otherwise stated.



REPORTING PERIOD

This Report covers the period from 1st April 2022 to 31st March 2023. The Group adopts an annual reporting cycle and this Report builds on our previous Report for the financial year ending 31st March 2022.

ASSURANCE

Assurance on financial statements is provided by Messrs. Ernst & Young Chartered Accountants. We have not sought external assurance on sustainability reporting.

STANDARDS AND PRINCIPLES USED

Financial Statements and Reporting

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

External assurance provided by Messrs. Ernst & Young Chartered Accountants

Narrative Report

- Integrated Reporting Framework of the International Integrated Reporting Council
- GRI Standards on Sustainability Reporting: In Reference with 'Core' option
- Sustainable Development Goals Reporting
- Gender Parity Reporting Framework of CA Sri Lanka

We have not sought external assurance on sustainability reporting.

Corporate Governance

- Code of Best Practice on Corporate Governance issued by the SEC and CA Sri Lanka
- Companies Act No. 7 of 2007
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987
- Listing Rules of the Colombo Stock Exchange

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.

Icons

The Capitals

- Intellectual Capital
- Financial Capital
- Human Capital
- Social & Relationship Capital
- Manufactured Capital
- Natural Capital

Our Stakeholders

- Customers
- Employees
- Investors
- Distributors / Retailers
- Suppliers
- Government & Regulators
- Communities

Strategic Priorities

- Sustainable Growth
- Fulfilling the Customer Promise
- Empowered Team
- Managing the Value Chain
- Sustainable and Responsible Organisation

STATEMENT OF BOARD RESPONSIBILITY

The Board of Directors is ultimately responsible for ensuring the integrity of this Report. The Board hereby confirm that the 2022/23 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

Krishan Balendra
Chairperson
22nd May 2023

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,

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

PERFORMANCE HIGHLIGHTS

SNAPSHOT OF 2022/23

Operating Environment

1. Decrease in consumer spending power
2. Scarcity of foreign exchange and import restrictions
3. Significant increase in fuel and electricity rates and disruption to power and fuel supply
4. Increase in general inflation and resultant cost escalations
5. Escalations of raw and packing material prices due to supply constraints and inflationary impact
6. Cashflow challenges stemming from increase in working capital requirements, hike in interest rates and resultant increases in finance costs

Strategic Priorities

1. Cashflow and working capital management to reduce the financing costs
2. Introduction of smaller pack sizes to drive penetration
3. Cost reduction initiatives and efficiency improvement
4. Enhancing customer service in Supermarket Sector
5. Improvement of business performance by leveraging on advance data analytics
6. Focused on distribution efficiency and effectiveness

Way Forward

1. Continued focus on customer affordability and offering value for money products
2. Strategic focus on ESG
3. Continued emphasis on driving operational efficiencies
4. Expansion of Supermarket network
5. Increased focus on advanced data analytics

Metrices		2022/23	2021/22	YoY Change
STRATEGIC PRIORITY: SUSTAINABLE GROWTH				
Financial Performance				
Revenue	Rs. million	126,149	84,543	49%
Gross Profit	Rs. million	12,749	9,136	40%
Operating Profit	Rs. million	6,185	4,744	30%
Profit Before Tax	Rs. million	2,239	2,782	(19%)
Profit After Tax	Rs. million	2,513	2,068	21%
EBITDA	Rs. million	10,380	8,170	27%
Financial Position				
Total Assets	Rs. million	71,730	63,535	13%
Total Liabilities	Rs. million	52,653	45,428	16%
Total Debt	Rs. million	22,516	17,912	26%
Shareholders' Funds	Rs. million	19,077	18,107	5%
Return on Assets	%	3.72	3.49	0.23
Return on Capital Employed	%	12.54	10.82	1.72
Debt/Equity	%	118.02	98.92	19.10
Interest Cover	No. of Times	1.51	2.32	(0.82)
Working Capital				
Current Assets	Rs. million	22,430	16,204	38%
Current Ratio	No. of Times	0.68	0.66	0.02
Quick Ratio	No. of Times	0.20	0.23	(0.03)
Shareholder Information				
Earnings per Share	Rs.	2.64	2.18	0.47
Dividends per Share	Rs.	1.19	1.20	(0.01)
Net Asset Value per Share*	Rs.	20.07	19.05	1.02
Closing Share Price	Rs.	40.00	38.90	1.10
Price Earnings Ratio	No. of Times	15.13	17.88	(2.75)
Dividend Payout	%	44.91	55.15	(10.24)
Dividend Yield	%	2.97	3.08	(0.12)
Market Capitalisation	Rs. million	38,016	36,971	3%
Enterprise Value	Rs. million	69,895	63,942	9%

**Net asset per share has been calculated, based on the number of shares in issue as at 31st March 2023.*

Metrices		2022/23	2021/22	YoY Change
MANUFACTURED CAPITAL				
Property, Plant and Equipment	Rs. million	27,250	25,580	7%
Capital Expenditure	Rs. million	4,933	6,200	(20%)
Supermarket Outlets (Keells)	No.	131*	128	3
HUMAN CAPITAL				
Strategic Objective: Empowered Team				
Total Employees	No.	7,568	7,086	482
Payments to Employees	Rs. million	9,216	7,368	1,848
Employee Retention Rate	%	22	6	16
Female Representation	%	41	44	(3)
Investment in Training	Rs. million	71	45	58%
Total Training Hours	Hours	154,410	161,034	(6,624)
Average Training Hours/Employee	Hours	20	23	(3)
Workplace Injuries	No.	195	144	51
Graduates from JMSL Training Academy	No.	764	546	218
SOCIAL AND RELATIONSHIP CAPITAL				
Strategic Priority: Fulfilling the Customer Promise				
New Products Launched	No.	13	10	3
New Supermarket Outlets Opened (Keells)	No.	4*	5	(1)
Non-Compliance to Product Responsibility Regulations	No.	Nil	Nil	-
Strategic Priority: Value Chain and Community Development				
Payments to Suppliers	Rs. million	116,688	74,043	42,645
No. of Farmer Training Programmes Conducted	No.	88	104	(16)
Investment in CSR	Rs. million	49	39	11
Volunteer Hours	No.	1,946	268	1,678
NATURAL CAPITAL				
Strategic Priority: Preserving the Planet				
Energy Consumption	GJ	300,225	306,803	(2%)
Water Consumption	M^3	693,914	673,172	3%
Solid Waste	MT	4,232	4,901	(14%)
Effluents	M^3	153,651	150,632	2%
Carbon Footprint	tCO_2e	48,378	50,911	(5%)
Energy Intensity - Manufacturing	GJ/1,000 Ltrs	1.026	1.019	1%
Emission Intensity - Manufacturing	tCO_2e/1,000 Ltrs	0.157	0.163	(4%)
Water Intensity - Manufacturing	Ltrs/1,000 Ltrs	4,081	4,304	(5%)
Energy Intensity - Supermarket	GJ/Sqft	0.131	0.146	(10%)
Emission Intensity - Supermarket	tCO_2e/Sqft	21.69	24.63	(12%)
Water Intensity - Supermarket	Ltrs/Sqft	0.20	0.19	4%
INTELLECTUAL CAPITAL				
Investment in R&D	Rs. million	60	60	-
New Products Launched	No.	13	10	3

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

Rs. 126,149 Mn
Revenue

Rs. 12,749 Mn
Gross Profit

Rs. 71,730 Mn
Total Assets

PERFORMANCE HIGHLIGHTS

Manufactured Capital

MANUFACTURING

- Enhanced operational efficiencies and minimised waste.
- OEE (Overall Equipment Effectiveness) of the PET bottle line increased from 82% to 84%.
- 14% increase in the filling speed of the CSD range.
- Increased efficiency in the Cup and Cone line from 80% to 83%.

SUPERMARKETS

- Launched **3 Concept** stores
- Investments in supply chain infrastructure

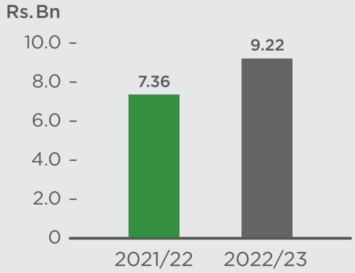
ADDITIONS

Manufacturing
1 Milk Collection Center

Supermarkets
1 new permanent collection center
2 new seasonal collection centers
(1 was later converted to permanent)

Human Capital

Payments to employees



7,568 Employees

41% Female representation

EMPLOYEE SATISFACTION

78% Manufacturing **80%** Supermarkets

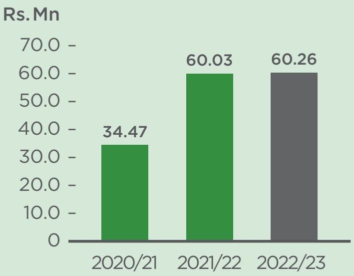
	2022/23	2021/22
Investment in training (Rs. Mn)	71	45
Average training hours/employee	20	23
Workplace injuries	195	144

Intellectual Capital

+16.1%
Elephant House Brand Value*

+17%
Keells Brand Value*

Investment in R&D



Strongest brand & Most Valuable Supermarket Brand in Sri Lanka in 2022*

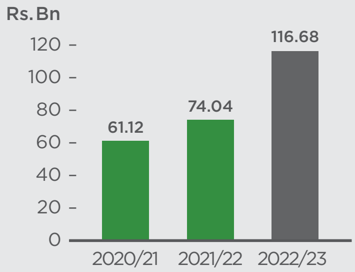
**Brand Finance, 2022*

7 New products launched by Frozen Confectionery

Gained a **double digit** market share in the **250ml** Beverage segment

Social and Relationship Capital

Payments to suppliers



2,531 Suppliers

208 Distributors

9,265 Farmers/ Outgrowers

52 Private label suppliers

213
New Suppliers added

7,605 Suppliers/ Farmers supported

Rs. 49 Mn
Invested in CSR initiatives

Over 1.1 Mn
Beneficiaries

Natural Capital

300,225 GJ (-2%)
Energy consumption

693,914 m³ (3%)
Water consumption

4,232 MT (-14%)
Solid waste

48,378 tCO_2e (-5%)
Carbon footprint

Emission intensity
Manufacturing **0.157 tCO_2e/ 1,000 Ltrs (-4%)**

Supermarkets **21.69 GJ/ Sqft (-12%)**

94 Outlets fitted with solar panels

35% Reduction in single-use plastics at prepared food counters (progress achieved against 2019 baseline)

311 MT (+1,006%)
Plastic collected and recycled

CHAIRPERSON'S MESSAGE

INTRODUCTION

On behalf of the Board, it's my pleasure to present the Annual Integrated Report and the Audit Financial Statements of Ceylon Cold Stores PLC (CCS), for the year ended 31st March 2023. The CCS Group recorded a Revenue growth of 49% and a Profit After Tax (PAT) growth of 21% amidst unprecedented challenges and volatiles by adopting agile strategies and demonstrating resilience to maintain market share in its key verticals.

OPERATING LANDSCAPE

Sri Lanka recorded a contraction in the macro-economy in calendar year 2022 with Gross Domestic Product (GDP) declining by 7.8%; the agricultural, industrial and services sectors all recorded decreases. Though there were no pandemic related disruptions, the year under review witnessed significant challenges and macroeconomic pressures emanating from a precarious external financing position, particularly in the first half of the year, including a severe fuel shortage, scarcity of essential commodities, and disruptions to power supply. The resultant economic turmoil, further exacerbated by unprecedented levels of inflation and interest rates, gave rise to public anxiety and political upheaval. While this was more pronounced in the first half of the year, there was a notable improvement in the overall economy towards the latter end of the year under review. This was driven by greater clarity on the macroeconomic landscape which included the implementation of certain reforms that was needed, roll-out of coordinated policy initiatives and the successful securing of the USD 3 billion bailout package from the International Monetary Fund (IMF). As of the date of this report, Sri Lanka has managed to transition to a workable equilibrium which is focused on restoring the socio-economic stability of the country.

Similar to the previous year, global and domestic supply side disruptions continued to exert inflationary pressures on the economy, including on food items, thereby impacting business performance. Inflation, as measured by the National Consumer Price Index (NCPI), peaked at 73.7% (2013 Base) in September 2022, with a gradual reduction thereafter. As at March 2023, inflation stood at 49.2% (2021 Base). Foreign exchange liquidity remained a key concern as high levels of foreign debt, a growing trade deficit and the slower than expected recovery of foreign exchange inflows contributed towards a deterioration of the external financing position. This, among others, prompted the Central Bank of Sri Lanka (CBSL) to accommodate a flexible exchange rate regime from March 2022 onwards, which resulted in an immediate 27% depreciation of the Rupee. Additionally, the foreign exchange crisis also resulted in suspending the servicing of external debt in mid-April 2022 as an interim measure, while soliciting support from official and private creditors to restructure outstanding debt. Against this backdrop, Sri Lanka moved to a preemptive default status, until such time progress is made on the debt restructure process.

The steep depreciation in the Rupee, followed by accelerated inflation though imported prices, including second-round effects of such excessive depreciation on other goods and services resulted in a notable increase in raw material and overhead costs, adversely impacting your Company's performance and margins. The contractionary monetary policy followed by the CBSL in response to escalating inflation, resulted in policy rates being increased by ~900 basis points from April 2022 till March 2023, which adversely impacted the Company's borrowing costs. The year under review was also characterised by fiscal tightening, with a marked increase in both direct and indirect taxes to bridge the budget deficit. Accordingly, value added tax (VAT) was increased from 8% to 15%, corporate taxes on manufacturers were increased from 18% to 30%, while a social security contribution levy of 2.5% was also introduced. Consumer disposable income, and thereby household budgets, also noted a significant reduction driven by inflationary impacts and the contractionary monetary and fiscal policy including impacts of the significant increase in personal income tax rates in the last quarter, which adversely impacted demand and reduced consumption of our products.

STRATEGY AND OPERATIONAL REVIEW

CCS Group's Revenue increased by 49% to Rs.126.1 billion largely due to inflation driven price increases. Profitability improved by 21% to Rs.2.5 billion bolstered by strong performance in the Supermarket Sector which offset the moderation in profitability of the Manufacturing Sector.

MANUFACTURING SECTOR

The Manufacturing Sector Turnover grew by 110% in the first quarter over the same quarter last year reflecting strong volume growth in both Beverages and Frozen Confectionery categories. A Turnover growth of 90% was recorded in the second quarter, driven by both volume growth and price increases taken by business. The price increases were necessitated to support operating margins which were under pressure due to significant cost escalations on raw and packing materials driven by the steep depreciation of the Rupee and forex shortages in the market, increases in energy and employee costs, higher working capital funding requirements and interest costs. Even as the top line performance remained strong during the third and fourth quarters reflective of the price increase undertaken by the business, volumes declined by double digits on the back of lower disposable incomes leading to prioritisation of essential items over non-essential items. Overall, the global and domestic disruption of supply chains also necessitated holding a higher level of inventory to avoid stock out situations, foreign suppliers withdrew credit and required advance payments due to overall country credit rating and local suppliers reduced credit periods to manage their working capital cycles. This put pressure on working capital and increased funding requirements in a high interest rate environment. Resultantly the strong profitability recorded in the first quarter saw some moderation in the second quarter due to margin contractions and higher interest costs, with impacts peaked in the third quarter recording a loss, followed by a gradual rebound in the fourth quarter recording a profit.

The Beverage category recorded an overall turnover growth of 43% on the back of a strong volume growth of 37% during the first two quarters. However, this momentum reversed during the second half of the year as market demand fell due to the various macroeconomic impacts on disposable income. This coupled with disruptions to the distributor network resulted

CHAIRPERSON'S MESSAGE

in an overall 5% decline in volumes as compared to last year. This was driven by the Carbonated Soft Drinks (CSD) segment, which recorded a 7% decline in volumes in comparison to the growth of 18% recorded in the previous year, though the category-maintained market share. CSD Market share was defended by focus distribution and brand building activities. The 250 ml PET bottles were introduced priced at Rs. 100 which gained significant traction in the market, enabling recoupment of volumes, particularly in price sensitive market segments. It is encouraging to note that both the dairy and fruit juice segments recorded volume growth during the year, whilst the water segment was able to maintain steady volumes. Distributor stability was key to drive volume during the year in an environment where the distributors were significantly impacted by the increase in VAT rates, inflationary pressures, fuel and electricity rate hikes on top of a credit crunch in the market and high interest rates. This in turn increased the credit risk and exposures of distributors, which was managed by your Company through more frequent monitoring of credit limits and extending credit when required. Sales automation and SURGE, the distributor performance evaluation system, supported overall relationship management with distributors.

CCS remains the market leader in the Frozen Confectionery category and was able to curtail the annual volume decline to 7% even as the overall market for the category declined by double digits during the year. The category-maintained market share in an increasingly competitive environment which also witnessed significant price increases as a response to cost escalations and resultant pressures on operating margins. Whilst strong volume growth of 31% was recorded in the first quarter, moderating to 6% in the second quarter, the third and fourth quarters of the year recorded volume declines as a result of contraction in consumer spending. The impulse range continued its upward trajectory and grew by 10% despite the challenging market conditions, whereas the bulk category declined by 15%. Our premium range, Imorich has also performed well, recording a 17% growth in volume as compared to last year. The bulk to impulse ratio improved to 62:38 during the year, which aided the category profitability as the impulse range contributes a higher margin. The consolidation of bulk and impulse distributors into a common distributor pool proved to be a timely initiative as it helped support distributor performance and manage credit risk in addition to establishing five new re-distributor operations.

SUPERMARKET SECTOR

The Supermarket Sector recorded strong Revenue growth of 49% over the previous year and was ranked as the strongest brand by Brand Finance in 2022. The Sector implemented initiatives being more relevant to its key stakeholders and this enabled the Supermarket Sector to navigate the year with a strong focus on affordability and data-led personalized engagement with customers, offsetting the impact of the contraction in basket sizes in a hyperinflationary environment. Revenue growth was also supported through the opening of 4 new outlets and the total outlet count stood at 131 as at 31 March 2023.

The opening of the Lauries Road outlet set a new standard for customer experience by integrating cutting-edge retail technologies like scan 'n' go, self-checkouts, food ordering kiosks with a selection of affordabilty priced food-to-go options, coffee, and an exclusive product line and three more outlets were upgraded to the Concept stores during the year under review. The roll-out the advanced analytics transformation programme during the year provided valuable insights in a chaotic environment and supported informed decision making as well as personalized engagement with our customers. The private label range was expanded during the year as consumers opted for more affordable products and pack sizes. The direct import of essential items to ensure availability on the shelves adds to the achievements of this sector in a difficult year. Moreover, the Rs. 4.6 billion state-of-the-art distribution center opened at the end of last year has driven significant operational efficiencies which supported uninterrupted operations at the outlets during the year. The Supermarket Sector faced significant challenges during the year as hyperinflation and declining disposable incomes led to smaller basket sizes on the demand side and supply chains were disrupted due to the foreign exchange liquidity crisis as well as the reduced harvests stemming from the unavailability of fertilizer. Operational costs increased significantly due to the electricity and fuel price increases, not being able to leverage off the solar roofs due to power outages and the requirement to operate generators for refrigeration. Despite all these challenges, adopting the right technologies, driving sustainability in the business and investing in our people has resulted in recording an increase in PAT of 85 % as compared to last year.

FINANCIAL PERFORMANCE

CCS Group navigated the unprecedented socio-economic challenges during the year to deliver a PAT of Rs. 2.5 billion, reflecting a 21% growth in the financial year ending 31st March 2023.

Group recorded a 49% growth in revenue to Rs. 126.1 billion which reflects the strength of the Keells and Elephant House brands combined with and the effectiveness of the targeted measures to drive volume growth. Sales volumes however fluctuated significantly between the quarters, mirroring the market volatility, reduction in purchasing power and resultant change in consumer sentiments. Gross profits increased by 40% to Rs.12.7 billion whereas the gross margin percentage reduced marginally from 11% to 10% due to increased raw and packing material costs, supply chain disruptions, forex shortages, Rupee depreciation, operational cost increases stemming from fuel, gas and electricity rate hikes coupled with higher payroll costs. Keeping price increases at moderate levels was a conscious strategy adopted by the group as CCS managed margins and absorbed a proportion of input cost increases to ensure relative affordability of the products as this was a key concern for customers. Operating profits recorded strong improvement of 324% in the first half of the year, but this declined significantly in the second half of the year as household budgets were affected by increased inflation, fuel cost hikes, electricity tariffs and direct and indirect taxation. As a result of increased interest rates and the expansion of working capital requirement of the Group funded by bank overdraft facilities, finance costs increased by 101% to Rs. 4.1 billion. Accordingly, Group Profit Before Tax (PBT) decreased by 19% to Rs.2.2 billion reflecting the multiple challenges in the operating environment and the socio-economic impacts as outlined above was felt by the business more during the second half of the year which reversed the positive trajectory seen during the first six months. The impact of this on PAT was to some extent negated with the reversal of the deferred tax provision of Rs. 992 million at Colombo Ice Company (Pvt) Limited on account of tax losses resulting from a claim of Enhanced Capital Allowance. Consequently, CCS Group delivered a PAT of Rs. 2.5 billion, a 21% growth for the financial year ending 31st March 2023. Excluding the aforementioned deferred tax adjustment, the adjusted PAT stood at Rs. 1.52 billion, an 26% decrease against the previous year.

Manufacturing Sector Revenue increased by 50% to Rs. 26.4 billion supported by the improved performance of the Frozen Confectionery impulse range and price increases taken by both Beverage and Frozen Confectionery categories. Operating margins declined from 12% to 6% as costs increased sharply, and the Sector balanced affordability and sales volumes by not passing on the entire cost increases to its customers. The Supermarket Sector accounted for 79% of Revenue which increased by 49% to Rs. 99.8 billion, primary stemming from inflation driven price increases and the Operating Profit margin increased from 4.0% to 4.5% recording an Operating Profit of Rs. 4.5 billion, an increase of 68% over the previous year.

Despite the plethora of challenges, the Group continued to maintain a strong financial position with total assets at Rs. 72 billion, funded through Rs. 19 billion of equity, Rs. 10.2 billion of interest-bearing borrowings and Rs.12.3 billion of bank overdrafts. Total assets increased by 13% largely due to expansion in inventory and increased investment in property, plant and machinery. It is noted that bank overdrafts, which increased from Rs. 5.4 billion in 2021/22 to Rs. 12.3 billion, reflecting the pressure on working capital during the year and it is envisaged to ease in tandem with the decline in interest rates and normalising of the working capital cycle. Despite these pressures, the debt-to-equity ratio of the Group remained at 118%.

PEOPLE AND PARTNERSHIPS

The value creation process of your Company has been built around our loyal and dedicated workforce, and I wish to acknowledge, with gratitude, the contribution and commitment of our employees during yet another year of unprecedented challenges. During the year, the team strength of the Group increased to 7,568 employees with female participation at 41% as the Supermarket Sector expanded its footprint and commenced operations of its Distribution Center. The Group commenced the year on a hybrid working model but normalized to working from office as pandemic concerns waned to align with business needs. Cognisant of the economic hardships faced by the Group employees on account of rising prices and reduced disposable income, a plethora of initiatives were undertaken to support employees. These included, among others, a one-off, uniform financial care package in the form of an ex-gratia payment for employees not governed by the collective agreements, a monthly temporary crisis allowances effective from January 2023, awareness sessions and webinars on managing personal finances in the current economic climate and emotional support with counsellors. Your Company rolled out the landmark parental leave policy of the John Keells Group, extending the 100 days of maternity leave to cover both parents as parental leave at the birth or adoption of a child, ensuring equity, and recognising the importance of both parents' roles in early childcare. Several initiatives in addition to the parental leave policy such as the adoption of gender-neutral terminology and strategies focused on improving accommodations for persons with disabilities were implemented in line with the John Keells Group's Diversity, Equity and Inclusion (DE&I) initiative, 'ONE JKH'. The Supermarket Sector opened a branch at Maharagama which is operated only by females, highlighting the collective capabilities. The 'Great Place to Work' survey carried out during the year under review recorded a significant improvement affirming the Group's commitment to enhancing value to employees in an extremely challenging year.

COMMITMENT TO STRONG ESG PRACTICES

The CCS Group's Environmental, Social and Governance (ESG) strategy which is well entrenched with the governance and sustainability management frameworks of the John Keells Group, continued to ensure that sustainability and governance considerations remain an integral part of business operations. In furtherance of our commitments to embed environmental considerations and to drive efforts to optimise energy and water consumption, many initiatives were rolled out to inculcate greater environmental responsibility across our operations and our commitment to managing carbon and water footprints and managing waste. Accordingly, the Group's carbon footprint declined by 5% during the year due to higher generation of solar power and energy efficiencies which cushioned the increase in diesel consumption due to power outages. Water consumption also declined due to initiatives implemented to manage water consumption and the lower levels of production during the year. The Supermarket Sector implemented several initiatives to reduce the overall waste to landfill. Plastic recycling capacity was expanded at "Gunadamin" which is the Group's Extended Producer Responsibility plastic recycling facility resulting in the facility recycling 311 MT of plastic bottles, an increase of 1006% over the 30.9 MT processed in the previous year. Another key focus area for the Group was on addressing concerns relating to childhood malnutrition and several programmes were launched during the year to provide meals to school children. The Supermarket Sector continued with its "Say No to Food Waste" programme where over 1 million Kgs. of unsold, excess fresh produce was re-distributed to soup kitchens, children's homes, elders' homes etc.

GOVERNANCE

Governance remained at the forefront in all decision-making. The Board of Directors increased their vigilance as the operating environment noted significant volatility. Potential implications on the Group's performance, people, and prospects were analysed routinely. I am pleased to state that there were no reported violations of the Group Code of Conduct and the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance 2013, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of

CHAIRPERSON'S MESSAGE

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.

FUTURE OUTLOOK

Manufacturing Sector is expected to face challenges in immediate to short term in lieu of the current macroeconomic landscape. Consumer discretionary spending is likely to continue to moderate in the short-term on the back of a reduction in disposable income, which is envisaged to hamper growth in demand for non-essential items. The decrease in global commodity prices from their peak levels, lower freight costs, stabilisation of the country's foreign exchange liquidity, appreciation of the Rupee, and improved availability of raw materials are likely to alleviate margin pressures. The gradual reduction in interest rates and normalisation of working capital will further support profitability. The penetration of consumer food products in Sri Lanka continues to be relatively low in comparison to regional peers, demonstrating the significant potential in these industries. Given the higher penetration within urban areas, the Manufacturing Sector growth from the outskirts of the country to be a substantial driver of medium to long-term growth, despite the lower base.

The Beverages business will continue to focus on developing its portfolio in line with evolving market trends, where consumers place increased emphasis on healthy and sustainable products. Per capita packaged Beverage consumption in Sri Lanka is well below regional averages highlighting the growth potential for the Beverage market in the country. Given evolving regulations surrounding single use plastics and interest towards environmentally friendly packaging, continual emphasis will also be placed on exploring alternate forms of packaging. As a leading player in the Beverages market, business will leverage on its strong brand equity and distribution network to grow share while stabilising the distributor network and improve sales force efficiency through digital means. Ice cream consumption in Sri Lanka at ~3 litres per capita is well below global averages, demonstrating the significant potential for growth in the Frozen Confectionery market. In line with regional peers, the ice cream business expects a gradual shift in the bulk to impulse mix towards impulse products, with impulse products being the primary driver of the envisaged increase in per capita ice cream consumption in Sri Lanka. As witnessed in the recent years, the state-of-the-art ice cream facility in Seethawaka will continue to play a pivotal role in catering to this growth trajectory. Beverage category has already introduced smaller pack sizes, while Frozen Confectionery has also seen strong growth of the impulse segment and these will be the focal points for innovation in products in year ahead given the price sensitive consumer, ensuring that the brand remains vibrant. Focus efforts will be made to improve the margins of the Manufacturing Sector by continuing cost rationalization efforts and efficient improvement in the manufacturing plants whilst strengthening the procurement strategies in the Sector. Exports will be a key area for the Manufacturing Sector with a focus on entry into new markets. We will work towards an efficient and stable sales force and distributor network by leveraging the advanced data analytics capabilities.

The Supermarket business is envisaged to remain insulated, despite the ongoing macroeconomic challenges, considering that essential and regular grocery and household items constitute a large portion of a consumer basket. The conversion from general trade to modern trade is also envisaged to continue, given the ability of modern trade outlets to ensure better availability and less disruptions through the better management of its inventory and working capital. Challenges in sourcing products due to supply chain disruptions have eased notably and preliminary signs indicate that the lagged effect of fertiliser shortages on the importation of agro-chemicals has largely subsided leading to a successful crop yield. This, coupled with decreasing fuel prices and easing inflationary pressures, is envisaged to aid the business in the supply side. Supermarket business will continue to leverage on its direct import strategy and increase in private-label range, both aimed at providing its customers with better choice and value for money. Medium to long term, Supermarket industry in Sri Lanka will remain promising, given the low penetration of modern trade outlets in the country. We will continue to place emphasis on differentiating the shopping experience for its customers through its 'fresh' promise, service excellence and quality. The business will focus on expanding its footprint to capitalise on the envisaged growth of the modern trade industry given its low density and penetration levels and will continue the expansion of its geographical footprint in urban and suburban areas, timing such expansion plans based on the macroeconomic landscape and the maturity of the markets. The Distribution Center in Kerawalapitiya will augment the business's expansion, particularly given its ability to cater to the number of outlets well beyond the medium-term. The business will continue with the development and implementation of advanced analytics 'use cases' in order to foster data-driven decision-making.

DIVIDENDS

The Board has recommended the payment of a final dividend of Rs.0.44 cents per share, in addition to the interim dividend of Rs.0.86 per share paid in March 2023, resulting in a total dividend per share of Rs. 1.30 for the financial year 2022/23. Accordingly, the total payout from PAT for the year amounted to Rs. 1.24 billion which translates to a 49% payout ratio.

ACKNOWLEDGEMENTS

I take this opportunity to extend my gratitude to my colleagues on the Board for their valuable counsel and support in a challenging year. I also thank the teams at the CCS Group for their commitment and dedication in overcoming multiple challenges. I thank all our valued stakeholders, including consumers, suppliers, and distributors for their continued support in driving sustainable growth of our brands and our investors for their continued confidence in the CCS Group.

Krishan Balendra

Krishan Balendra
Chairperson

22nd May 2023

CCS AT A GLANCE

ORGANISATION OVERVIEW

CCS manufactures and distributes an exciting array of Beverages and Frozen Confectionery products that have steadily evolved over 150 years of market strength, to cater to diverse customer preferences and occasions. The strength of 'Elephant House', one of Sri Lanka's most loved brand along with several of its emerging sub brands, extensive distribution channels facilitating island-wide distribution and deep insights into evolving customer preferences, has enabled CCS to retain its market dominance in both categories. Its Supermarket arm, operates the Keells Supermarket chain, the leading player in Sri Lanka's modern trade industry with a network of 131 outlets and industry-leading standards in convenience and service quality.

A diverse product portfolio

BEVERAGES

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

FROZEN CONFECTIONERY

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

Produced at **3** Manufacturing plants

A unique retail proposition

SUPERMARKET

As the leading supermarket brand, we continue to evolve and redefine the retail experience through technology-driven solutions, extensive product range and exceptional service quality.

Supermarket footprint of **131** outlets

Across 12 districts including **4** Concept stores

CCS AT A GLANCE

Our Brands

'Strongest brand' in the country in 2022*

Awarded for the second consecutive year.

'Most valuable supermarket brand' in 2022*

Awarded for the fourth consecutive year.

**Brand Finance, 2022*

13th most valuable brand in Sri Lanka in 2022*

**Brand Finance, 2022*

The CCS Team

A diverse and highly skilled workforce of **7,568**

964
Manufacturing team members

6,604
Supermarkets team members

41%
Overall female representation

Channels

MANUFACTURING

In-home consumption
- General Trade
- Modern Trade
- E-commerce platforms

Out-of-home consumption
- Hotels
- Restaurants
- Cafes
- Other establishments serving food and beverages

SUPERMARKETS

6,700+
Products across several stock keeping units

288
Private label products

Our commitment to the environment

45,725 GJ solar power generated

from Rooftop solar systems at 94 supermarkets and Ranala plant.

311 MT plastic re-cycled

across 5 material recovery facilities. (MRF Centers)

Our value chain partners

208 Distributors	**9,265** Farmers / out growers
2,531 Suppliers	**52** Private label suppliers

Financial performance

Rs. 126,149 Mn (+49%) Total revenue	**Rs. 2,513 Mn** (+21%) Profit After Tax
Rs. 71,730 Mn (+13%) Total assets	**Rs. 19,077 Mn** (+5%) Shareholders' funds

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 2022/23, given the implications of the macro economic crisis and resultant socioeconomic challenges which are summarised below.

Taxes to Government

Rs. 6,382 Mn (+122%)

Returns to capital providers

Market capitalization:

Rs. 38,016 Mn (+3%)

Profit After Tax:

Rs. 2,513 Mn (+21%)

We provide employment to **7,568** people, with a female representation of **41%**. Additional support was extended to our employees, to help mitigate challenges posed by the economic crisis.

Payments to employees:

Rs. 9,216 Mn (+25%)

We evolved our product portfolio and retail proposition to fulfill the value for money needs of our customers in the context of the economic crisis.

Created value for our supply chain and channel partners through proactive engagement, fair business practices and capacity building initiatives that facilitated their development and ensured their commercial viability.

Payments to local suppliers:

Rs. 106,993 Mn (+45%)

12,228 suppliers, distributors and farmers assisted through capacity building programmes.

Community engagement through programmes that addressed the socio-economic implications of the economic crisis.

Investment:

Rs. 49 Mn

No. of beneficiaries:

Over 1.1 Mn

VALUE CREATION MODEL

Our value creation model describes how we generate value to our stakeholders through the transformation of resources and relationships. In this value transformation process we nurture, preserve and make trade-offs in capital inputs in the context of developments in the external environment, which in turn leads to stakeholder outcomes. The value creation model is central to everything we do, providing a blueprint for how we utilize, transform and nurture our forms of capital.

Our Inputs

FINANCIAL CAPITAL

Our financial resources are vital to the pursuance of our growth ambitions and are represented by,

- Shareholders' funds **19,077 Mn**
- Borrowings **22,516 Mn**

MANUFACTURED CAPITAL

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

- **3** manufacturing facilities for the production of beverages and frozen confectionery items.
- **131** Supermarkets
- Reaching over **100,000** retail outlets
- **240,000 sqft**, state of the art distribution center.

HUMAN CAPITAL

Our team of **7,568** employees brings unique skills and competencies to the business, driving innovation and facilitating the customer experience.

SOCIAL AND RELATIONSHIP CAPITAL

Collaborative relationships we have fostered with our customers, **208** distributors, **2,571** suppliers, and the communities we operate in.

INTELLECTUAL CAPITAL

Exemplified by our brands, recipe library and product formulations, tacit knowledge base of our employees and our capacity for innovation.

NATURAL CAPITAL

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

Value Transformation Process

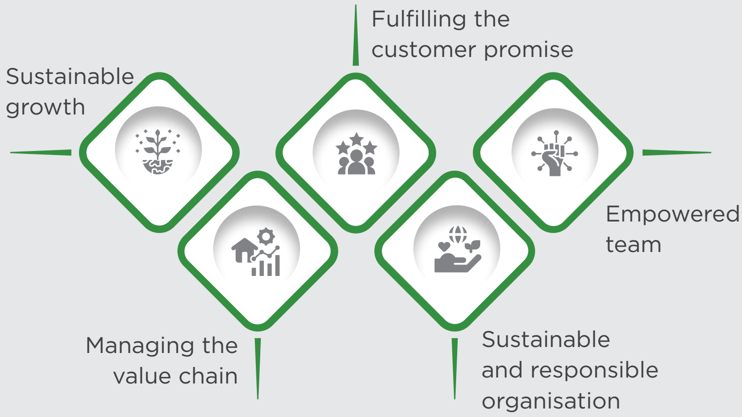
CCS – VISION

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.

JMSL – VISION

Improve the quality of life for the nation.

OUR STRATEGIC PRIORITIES



DELIVERED THROUGH OUR BUSINESS VERTICALS

Manufacturing

Supplier → Raw Material → Factory → Distribution → Retailers → Consumer

Supermarkets

Supplier → Sourcing of Goods → Warehouse → Distribution → Supermarket Network → Consumer

UNDERPINNED BY

- Robust Corporate Governance Practices
- Risk Management

IN THE CONTEXT OF

- Operating environment
- Evolving consumer preferences
- Climate change
- Developments in technology

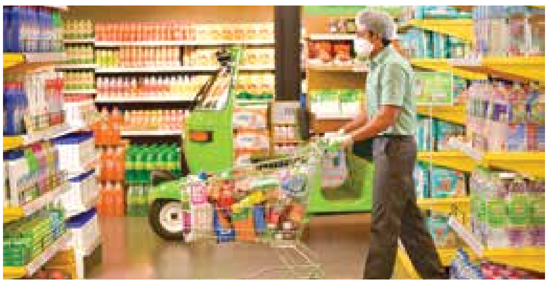
Outputs

BEVERAGES

- Carbonated Soft Drinks
- Fruit drinks
- Standardized milk
- Flavoured milk
- Fruit flavoured tea
- Water

FROZEN CONFECTIONERY

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



In-person and online shopping experience delivered through our 131 Supermarkets

IMPACTS

- Solid waste **4,232 MT**
- Effluents **153,651 M³**
- Carbon footprint **48,378 tCO_2e**

Outcomes

FINANCIAL CAPITAL

We adapted our strategy to navigate emerging challenges to deliver value to shareholders.

- Market value per share **Rs. 40**
- Net asset value per share **Rs. 20.07**
- Earnings per share **Rs. 2.64**
- Profit after tax **Rs. 2,513 million**

MANUFACTURED CAPITAL

Improvements in operational efficiencies and reduction in waste, resulting in cost rationalization and higher productivity.

- OEE of the PET bottle line increased from **82%** to **84%**
- 14% increase in the filling speed of the 1L pack size
- Increased the quality of carbonation in the CSD range while lowering production costs
- Increased the efficiency of the Cup and Cone line from 80% to 83% in frozen confectionery

Enhanced supply chain efficiencies through investments in supply chain infrastructure.

HUMAN CAPITAL

Our employee value proposition is centered on motivating, attracting and retaining top talent through greater engagement, investment in growth, fair remuneration and extended benefits in response to the economic crisis.

- Payments to employees **Rs. 9,216 million**
- Employee satisfaction score – Supermarkets **80%**
- Employee satisfaction score – Manufacturing **78%**

SOCIAL AND RELATIONSHIP CAPITAL

Deeper and more collaborative partnerships with suppliers, distributors and customers.

- Distributor retention rate **99%**
- Payments to suppliers **Rs. 116,688 million**
- Farmer training programmes **88**
- Relevant and impactful community upliftment
- CSR beneficiaries **Over 1.1 million**

INTELLECTUAL CAPITAL

Keells – Strongest brand in Sri Lanka, retained its position as the strongest brand for the 2nd consecutive year.*

Most valuable supermarket brand for the 4th consecutive year.*

Elephant House recorded +16% in brand value and was ranked the 13th most valuable brand in Sri Lanka*

**Brand Finance, 2022*

NATURAL CAPITAL

Continues focus on reducing our environmental impact.

- Plastics recycled: **311 MT**
- Renewable energy generation: **45,725 GJ**
- Emission intensity for Supermarkets **21.69 (GJ/Sqft)**
- Emission intensity for Manufacturing **0.157 (tCO2e/1,000Ltrs)**
- Water intensity – Supermarkets **0.20 (Ltrs/Sqft)**
- Water intensity – Manufacturing **4,081 (Ltrs/1,000 Ltrs)**

ENGAGEMENT AND DECISION MAKING

The unprecedented challenges that prevailed during the year, necessitated the strengthening of CCS stakeholder engagement mechanisms to proactively identify the issues and concerns of its stakeholders and respond appropriately through strategic interventions. Highlights of our stakeholder engagement for 2022/23 are given below.

Stakeholder Engagement Process

- IDENTIFY STAKEHOLDERS TO ENGAGE WITH
- PRIORITISE AND ENGAGE WITH STAKEHOLDERS
- EVALUATE FEEDBACK AND ADDRESS ISSUES
- RESPOND THROUGH STRATEGIC INTERVENTIONS

Stakeholders	Shareholders	Consumers	Employees
Issues and concerns for 2022/23	➤ Implications of the macro-economic vulnerabilities on financial performance, stability, and liquidity ➤ Avenues for sustainable growth ➤ Corporate reputation ➤ Risk management and corporate governance practices	➤ Product availability ➤ Affordability considerations ➤ Safety and hygiene in store operations ➤ Good customer service ➤ Product quality ➤ Continuously evolving portfolio to fulfill emerging customer needs	➤ Job and financial security ➤ Physical and mental well-being ➤ Opportunities for skill and career development ➤ A diverse and equitable work environment ➤ Work life balance
How we engaged	➤ Annual General Meeting ➤ Annual Report ➤ Quarterly result updates ➤ Press releases ➤ Through Company Secretary and Colombo Stock Exchange	➤ Satisfaction surveys ➤ Engagement through digital platforms and social media channels ➤ Through the distributor, retailer and supermarket network	➤ Ongoing negotiations with trade unions ➤ Engagement through in-person and digital platforms ➤ Employee satisfaction surveys ➤ Interactive dialogue between HR and all departments to discuss prevalent issues
Our response	We responded to the challenges stemming from the operating environment by adapting our strategy with agility to ensure business continuity, operating efficiencies, cost rationalization, supply chain management and proactive management of working capital liquidity risks.	In response to affordability concerns and the need to maintain a consistent supply of products, the Manufacturing Sector implemented several measures in offering value for money propositions by reducing pack sizes and keeping the Marked Retail Price increase at a moderate level by refraining from fully passing on cost increases to consumers. Supermarket Sector expanded its affordable product range and private label range. Further, the Manufacturing segment launched several new products during the year to fulfill emerging customer needs.	We supported our employees through the economic crisis period by paying a crisis allowance and one off ex-gratia payment while maintaining a high level of engagement, training and providing opportunities for growth.
Value created	**Rs. 2,513 Mn** **Profit after tax** **Rs. 2.64** **Earnings per share** **Rs. 1.19** **Dividends per share** **13.4%** **ROE**	Introduction of the 250ml packaging for beverages in 6 SKUs to address the affordability. Introduction of 7 new products in Frozen Confectionery.	**Rs. 9,216 Mn** **Payments to employees** **Rs. 86 Mn** **Payments on crisis allowances** **Rs. 71 Mn** **Investment in training and development** **41%** **Female representation**
Link to strategy	**Responsible organisation** Sustainable growth	Fulfilling the customer promise	Empowered team

Distributors / Retailers	Suppliers	Government	Communities
➤ Disruptions to distribution given the fuel crisis ➤ Liquidity and profitability pressures arising from a decline in consumer demand ➤ Continued opportunities for business growth	➤ Disruptions to supply chain ➤ Import restrictions and impact on the supply chain ➤ Liquidity pressure arising from the forex crisis and scaled down operations. ➤ Financial support and capacity development	➤ Timely payment of taxes ➤ Employment generation ➤ Ethical business practices ➤ Contribution towards community development and environmental preservation	➤ Community engagement ➤ Plastic recycling and single use polythene usage reduction ➤ Livelihood upliftment and community development ➤ Responsible water withdrawal and discharge
➤ Distributor management system ➤ Face to face engagement ➤ Capacity building programmes ➤ Distributor conventions ➤ Distributor visits and audits	➤ One-to-one engagement ➤ Capacity development programmes ➤ Supplier audits ➤ Farmer development and training programmes	➤ One-to-one engagement ➤ Engagement through industry forums and associations	➤ Strategic CSR projects and community empowerment programmes ➤ Hotline and grievance mechanisms
Collaborative partnerships with distributors through greater engagement, liquidity injections and capacity building. Worked closely with retailers to effectively manage operational difficulties and cost escalations.	Supported the commercial survival of suppliers through continued purchasing at fair prices and strategic supplier development programmes.	Complied fully with all regulatory requirements while continuing to create value for the Government through timely payment of taxes, duties and levies.	Our engagement with the community was aimed at addressing affordability related concerns given the macroeconomic stress. We practiced responsible waste management and advocated the recycling of plastic. Providing lunch to school children by CCS (550 children at the Ranala Adarsha Kanishta Vidyalaya received a mid-day meal). A Nutritious Tomorrow for Our Little Ones by JMSL. Plastic recycling initiative in-line with extended producer responsibility under Gunadhamin. Implemented the Sara Midula programme which involved promoting home gardening among employees to address the food security related concerns.
Rs. 1,400 Mn **Payments to distributors** Additional margin support is offered to the retailers to manage the escalation of utility cost in Manufacturing Sector.	**Rs. 116,388 Mn** **Payments to suppliers** **Rs. 4 Mn** **Investment in supplier development programmes**	**Rs. 6,382 Mn** **Tax payments**	**Rs. 49 Mn** **In CSR programmes** **Rs. 158 Mn** **Investment in sustainable business practices**
Managing our value chain	**Managing our value chain**	**Sustainable and responsible organization**	**Sustainable and responsible organization**

YEAR AT A GLANCE

2022

April

- Launched Avurudu Limited Edition Pack (LEP) Mixed Fruit Ice creams.
- "Senehase Sisilasa" seasonal Avurudu campaign was launched by Frozen Confectionery category.
- Launched the Elephant House Superheroes programme in collaboration with the Ministry of Education, Dialog Axiata PLC and TV Derana with the aim of creating an interactive platform to unlock the hidden potential of the nation's children.
- Elephant House Ice Cream launched the 80 ml Date Ice Cream Limited Edition Pack (LEP) for the Ramadan season.
- Beverage Category launched the "Avurudu Beema" seasonal campaign.

May

- Digital campaign launched to promote the Elephant House Feelgood range.
- Launched the internal sales motivation program "TUSKERS" for the Manufacturing Sector.
- Keells was recognized as the 'Strongest Brand in 2022' by Brand Finance, Sri Lanka.

June

- Frozen Confectionery Category held its Annual National Sales Conference to recognize the top sales achievers of 2021/22.
- Ceylon Cold Stores organized a Lantern Competition for Poson.
- Supermarket Sector launched a Retail module for undergraduates at the University of Kelaniya with the objective of empowering the nation's youth to reach their full potential.

July

- Beverage Category held its Annual National Sales Conference to recognize the top sales achievers of 2021/22.
- The Annual Excursion of CCS Supply Chain & Support Functions was held. A stay in Araliya Beach Resort & Spa - Unawatuna.
- Supermarkets launched the "Little things" Campaign which revolved around bringing affordability to our customers.

August

- Elephant House introduced '50 ml Major Max Strawberry' as an extension to its Major Max ice cream range.
- The Grand Finale of the Elephant House Superheroes Programme was held.
- The Supermarket Sector commenced the export of fresh produce on a limited scale.
- Keells Supermarket opened a new store in Anuradhapura.

1 Outlet Opened

September

- Frozen Confectionery Category launched "Unflavoured Ice Cubes" with the aim of re-establishing the Elephant House brand in the ice market of Sri Lanka.
- The Supermarket Sector converted the Darley Road outlet to an Concept store.
- Keells Supermarket opened a new store in Kaduwela. The outlet at Stanley Thilakaratne Mawatha was closed.

1 Outlet Opened

October

- IMORICH, the premium ice cream brand of Elephant House, introduced a 2 Ltr range.
- Elephant House Ice Cream re-launched the 80 ml Kulfi Ice Cream as a Limited Edition.
- Obtained the ISO 22000:2018 Food Safety Management System certification for the bottled drinking water plant at Kotagala.
- Supermarkets launched the affordable nutritional awareness campaign.
- Launched the pre-school meal program.
- Supermarket Sector has taken another step towards empowering women by converting its Maharagama Supermarket outlet to have an all-female staff serving customers.

November

- Cricket Fiesta was organized by the Sports & Recreation Club of CCS at the Mercantile Cricket Ground with the participation of Twenty men's teams and Two women's teams.
- The Beverages category launched the 250ml PET pack in 6 flavours, supported by a 360-degree brand activation campaign, to enhance affordability, and drive volume growth.
- Elephant House Cream Soda continued its partnership with "The Voice" franchise for the 4th consecutive year.
- Conversion of Thalawatugoda and Kalubowila Keells retail stores to concept stores.

December

- The Frozen Confectionery category re-launched Winter Slice seasonal LEP for the Christmas season.
- Marketing campaign for IMORICH was launched by the Frozen Confectionery category during the Christmas festive season.
- Elephant House Feelgood range won the Merit Award for Best Use of Branded Content at SLIM Digis 2.2.
- SLS 971: 1992 certification for Elephant House branded Tube Ice was obtained.
- CCS held the year end Christmas party at all locations.
- A digital campaign for Soda was launched during the Christmas season.
- Keells Supermarket opened a new store in Pitakotte.
- The Supermarket Sector celebrated Christmas at both the head office and outlets.

1 Outlet Opened

2023

January

- Reactivation of the digital campaign to promote Elephant House Feelgood Range.
- Elephant House Ice cream launched 120 ml Pani Cadju Cone.
- Cream Soda partnered with Derana Dream Star as the official youth beverage partner.
- Keells Supermarket opened a new store in Rathnapura.

1 Outlet Opened

February

- NCE Export Awards : Gold Award under Medium Category for Frozen Confectionery.
- NCE Export Awards : Best Ethical Trading Exporter for the Medium Category.
- Elephant House Ice cream launched IMORICH Waffle Cones.
- Keells supermarkets "Own Label Price Guarantee campaign" highlighting the affordability of Keells own label products.
- JMSL hosted the 10th annual Supplier Convention, "Partner Power" to celebrate the exceptional achievements of top-performing suppliers.

March

- Frozen Confectionery and Beverages bagged 25 awards including 9 Gold Awards and 1 Best of the Best Award at the SLIM NASCO Awards ceremony.
- Elephant House Ice cream extended its IMORICH range through the introduction of 1L Hazelnut Chocolate Gelato and 1L Raspberry Cheesecake ice creams.
- Elephant House Feelgood range won the Merit Effie in the Snacks and Desserts Category at the Effies 2023.
- CCS celebrated International Women's Day at Ranala and Head office aligning with this year's theme #EmbraceEquity.
- Launched the Cream Soda KIWI POP and Apple POP Limited Edition Packs for the Avurudu season.
- Obtained Halal certification for FITO fruit drinks and Elephant House milk products.
- Obtained the ISO 9001:2015 Quality Management System certification for the bottled drinking water plant in Kotagala.
- GAP certification completed for 86 farmers through the "Govi Diriya" programme.
- Supermarkets launched the Keells Millionaire campaign.
- JMSL celebrated International Women's Day. The event included a panel discussion and musical events, with 300 participants from across Keells.

AWARDS AND CERTIFICATIONS

SLIM BRAND EXCELLENCE AWARDS 2022

Elephant House EGB won Gold and Bronze awards under the 'Agile Brand of the Year' and 'Turnaround Brand of the Year' categories respectively.

TAGS AWARDS 2022

Ceylon Cold Stores PLC won the prestigious Gold award for the 'Best Annual Report - Food and Beverage Sector' at the TAGS Awards 2022 organised by CA Sri Lanka.

AICPA & CIMA - WOMEN FRIENDLY WORKPLACE AWARDS 2022

Recognizing the efforts to drive female empowerment at the workplace, Keells Supermarkets won the Honorary category "She Grows - Organization with the Most Female Friendly Innovation / Practices in the Sri Lankan Workplace".

SLIM DIGIS 2.2 AWARDS 2022

Elephant House Cream Soda won the Gold award under the 'Best Use of Branded Content' category.

Elephant House Feel Good Range won the Merit award under the 'Best Use of Branded Content' category.

Keells won Bronze awards for "Cross Media Integration – Lauries Road & Govi Diriya" and "Best of Technology in Marketing."

NCE EXPORT AWARDS 2022

CCS won the Gold award for Medium Category in the Confectionery Products Sector.

CCS won the 'NCE Challenge Trophy - The Best Ethical Trading Exporter 2022' in Medium Category - both Beverage & Frozen Confectionery.

SLIM BRAND EXCELLENCE AWARDS 2022

Keells Supermarkets won the Bronze award under the "Agile Brand of the Year' category.

SLIM NATIONAL SALES AWARDS 2021/22

Elephant House Frozen Confectionery won 17 awards including Best of the Best award under the Frontliners category and a Merit award, Elephant House Beverages won 8 awards, Keells Foods won 2 awards. Overall awards included 4 female winners.

RETAIL ASIA AWARDS 2022

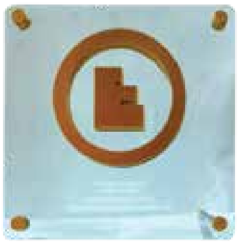
Keells Supermarkets won several Sri Lankan awards including, the Supermarket of the Year, Store Design of the Year (Large Category) and Sustainability Initiative of the Year.

MELBOURNE DESIGN AWARDS 2022

Keells Lauries Store won Silver in the 'Interior Design - International Retail' category.

BEST CORPORATE CITIZEN 2022

Keells Supermarkets won the Merit Certification – Best Sustainability Projects Award, at the Best Corporate Citizen Sustainability Awards 2022 by the Ceylon Chamber of Commerce.



EFFIES AWARDS 2023

CCS won the Merit Effies award under the 'Snacks and Desserts' category.

AWARDS AND CERTIFICATIONS

CERTIFICATIONS

	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: 1992 Certification for EH branded Frozen Confectionery / ice palam.	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.			
Occupational health and safety related certifications	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 principals 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.

KEY MILESTONES

Manufacturing

New Products Launched

The Manufacturing segment established a milk collection center in Kotagala with a daily capacity of 6,000 litres, to enable direct sourcing of milk for its Frozen Confectionery products.

Opening of the Milk Collection Center

CCS expanded its beverages and frozen confectionery product range by introducing a variety of new flavours and pack sizes to fulfill emerging consumer needs.

Supermarkets

Expansion of the Concept Stores

The Supermarkets Segment expanded its Concept store presence during the year, upgrading three existing stores to Concept stores. This concept store features best-in-class technological solutions, a wide product range and innovative features offering consumers an unparalleled retail experience.

Establishment of New Distribution Center

The Supermarkets Segment's state-of-the-art distribution center has transformed convenience and efficiency for small and large-scale suppliers, resulting in significant operational efficiencies that supported uninterrupted operations in a challenging year.

YEAR IN REVIEW

OPERATING CONTEXT

- Dwindling national foreign currency reserves and the temporary cessation in foreign debt servicing led to an unprecedented economic crisis that resulted in,
  - The sovereign rating downgrade to Selective Default (S&P).
  - Sharp depreciation of the Sri Lankan Rupee against the US dollar, surging inflation and a sharp increase in interest rates.
  - Shortages in essential items including fuel, cooking gas, essential imported inputs and power outages.
  - Social unrest and political fluidity.
  - Implementation of Government policy measures to address fiscal and external sector imbalances.
  - Increase in interest rates and taxes.

OUR STRATEGIC RESPONSE

The Group adapted its strategy with agility to effectively navigate the unprecedented challenges that emerged from the operating environment. This included focus efforts to maintain the market share, strengthening relationships with value chain partners, proactive liquidity management, increased responsiveness to evolving customer needs, emphasis on driving operational efficiencies and cost rationalisation while leveraging synergies derived through the JKH Group.

IMPLICATIONS

- Implications on liquidity as suppliers withdrew credit terms and required advance payments for inputs in Manufacturing and finished goods in Supermarkets.
- Challenges in ensuring product availability given disruptions to supply chains along with challenges caused by fuel shortages and power outages.
- Rapid escalations in input cost of production.
- Subdued consumer demand and affordability considerations given impacts on disposable income.
- Expanded working capital requirements and rising finance costs.
- In stability in distributor partners and other value chain partners due to economic challenges.

WAY FORWARD

While macro-economic pressures are expected to persist in the short-term, we are hopeful that engagement with the International Monitory Fund (IMF) and the implementation of structural reforms will lead to improved economic prospects. Meanwhile, we remain committed to evolving our strategy to drive growth and mutual value creation for all our stakeholders while positioning ourselves to capture opportunities that may emerge in the future.

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 of John Keells Holdings PLC. He is also the Chairman of the Employers Federation of Ceylon, the 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. Mr. Balendra 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 for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communication functions. He was the Chairman of Nations Trust Bank PLC, till 30th April 2023. 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 then the Consumer Foods 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. 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. 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 Chief Executive Officer in 2005. He was also employed at Aitken Spence Hotel Management as the Sector Financial Controller prior to joining the John Keells Group. He holds an MBA from the University of Colombo, is a Diploma Holder of the Chartered Institute of Marketing (UK), and is an Associate Member of the Chartered Institute of Management Accountants (UK).

BOARD OF DIRECTORS

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, Chartered Accountants. 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 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.

Dr. (Ms.) 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 BSc Hons. Degree in Microbiology and obtained her PhD 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.

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 in 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.

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).

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 & 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).

Geeth Samaranayake

Senior Assistant Vice President

Geeth is the Head of Engineering for the Consumer Foods Industry Group and joined the Group in 2023. Geeth has over 20 years of experience in the industry. Prior to joining CCS, Geeth was the Head of Engineering for Ansell Textiles Lanka (Pvt) Ltd for 6 years and Fonterra Brands Lanka (Pvt) Ltd for 7 years. Geeth holds a B.Sc. (Eng.) Degree from the University of Moratuwa, MBA from the University of Sri Jayewardenepura, M.Sc. in Energy Management from the Open University of Sri Lanka and is a passed finalist of the Chartered Institute of Management Accountants (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 18 years of experience in FMCG, travel & tourism, and textile & audit. Gihan is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Certified Management Accountants of Sri Lanka.

Jayampathi Mawilmada

Assistant Vice President

Jayampathi is the Head of Sales for the Beverages category of Ceylon Cold Stores PLC. He joined the John Keells Group in 2022. He has over 20 years of experience in FMCG, telecommunication and pharmaceuticals industries. Prior to joining CCS, Jayampathi has worked at Bharti Airtel, Etisalat Lanka and Nestle Lanka PLC. He holds a Post Graduate Diploma in Marketing (CIM- UK), Master's in Business Studies from the University of Colombo and Master's in Business Management from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

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 15 years of experience in the FMCG industry. Prior to joining JKH, Jude has 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.

MANAGEMENT TEAM

Kasun Gunarathne

Assistant Vice President

Kasun is the Head of Marketing in the Frozen Confectionery category of Ceylon Cold Stores PLC. He has over 11 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).

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, Chartered Accountants. She is a Member of the Chartered Institute of Management Accountants of (UK) and the Institute of Chartered Accountants of Sri Lanka.

Mahendra Amarasinghe

Assistant Vice President

Mahendra is the Head of Sales for the Frozen Confectionery category. He joined Ceylon Cold Stores PLC in 1991 and has 30 years of experience in sales functions in both Beverages and Frozen Confectionery categories.

Nisansala Paranayapa

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

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.

Ovin De Silva

Assistant Vice President

Ovin is the Head of Production and Regulatory Affairs of Ceylon Cold Stores PLC. He joined the John Keells Group in 2015 as a Group Management Trainee and joined Ceylon Cold Stores PLC in 2016. He holds a B.Sc. Engineering (Hons) degree from the University of Moratuwa and an Advanced Diploma in Management Accounting from the Chartered Institute of Management Accountants (UK).

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 27 years' experience in the FMCG industry. Prior to that, he worked at Unilever Sri Lanka for 14 years in different areas in the Supply Chain. He is an Associate Member of the Institute of Engineers, Sri Lanka and holds a B.Sc. Engineering degree from the University of Peradeniya and 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 of Ceylon Cold Stores PLC. He has over 25 years experience in sales and marketing functions in diverse industry sectors. Prior to joining the John Keells Group, Sathish was attached to Unilever Sri Lanka for 14 years covering sales, marketing, customer and trade marketing functions. He has also worked for Pure Beverages Ltd, Cargills Ceylon PLC, Bharti Airtel Lanka Ltd and Heineken Asia Pacific. Sathish holds a Master's Degree from the Cardiff Metropolitan University (UK) and a Diploma in Marketing from the Chartered Institute of Marketing (UK).

Sunera Tennakoon

Assistant Vice President

Sunera is the Head of Financial Planning and Analysis of Consumer Foods Industry Group. Sunera joined the John Keells Group in 2022. He has over 11 years of experience in the FMCG sector, having started his career at Hemas Manufacturing. He holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura and is an Associate Member of the Chartered Institute of Management Accountants (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 13 years of experience in tax compliance and tax advisory services. Thushani joined the John Keells Group in 2021, 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

Assistant Vice President

Udaya is the Head of Research & 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 20 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 & Technology from the University of Sri Jayewardenepura.

MANAGEMENT TEAM

The Colombo Ice Company (Pvt) Ltd

(In alphabetical order)

Indunil Amarasena

Assistant Vice President

Indunil is the Head of Production at The Colombo Ice Company (Pvt) Ltd. He joined the John Keells Group in 2001. He has over 20 years of experience in the Ice Cream Industry. Indunil holds a B.Sc. Degree in Applied Sciences from Sabaragamuwa University of Sri Lanka and an M.Sc. in Food Science and Technology from the University of Sri Jayewardenepura.

Irsula Rajakaruna

Vice President

Irsula is the Factory Manager of 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.

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 Operation department prior to being appointed as the Head of Productivity Improvement in July 2019. Before to joining JMSL, he has worked at Morrisons, UK in Supermarket Operations. He holds a Diploma in Ticketing and Reservations at Emirates Training College as well as a Certificate in Management at 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 Sector. 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 Degree from Metropolitan University (UK) and is a Certified Training Programme Assessor for NVQ Level 6 of Tertiary and Vocational Education Commission (SL).

Ashan Ransilige

Vice President

Ashan is the Head of Human Resources of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2016. He was attached to Dialog Axiata PLC, as the Human Resources Manager before joining the John Keells Group. He holds a Diploma in Teaching and Learning from the Institute of City and Guilds of London and is a Certified Training Programme Assessor of SHL Training Academy (UK) and Chartered Fellow CIPD (UK).

Jaykay Marketing Services (Pvt) Ltd

(In alphabetical order)

Charitha Subasinghe

President / Director

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

Janith Gunasiri

Vice President

Janith is the Head of Commercial of Jaykay Marketing Services (Pvt) Ltd and has been with the John Keells Group since 2010. He was the Head of Supply Chain at Jaykay Marketing Services (Pvt) Ltd before being appointed as the Head of Commercial. He joined the John Keells Group Transport Sector as a Finance Manager and was then appointed as the Head of New Business Development in 2015. He worked at KPMG Ford, Rhodes, Thornton & Co. before joining the John Keells Group. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, a passed finalist of the Chartered Institute of Management Accountants (UK) and holds a BBA (Finance Special) 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.

Mifrah Ismail

Vice President

Mifrah is the Head of Fresh Food of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2011. He was attached to the Category Management department before joining the fresh food team. He is an Associate Member 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 MSc in Business Analytics from the Robert Gordon University (UK).

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).

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).

MANAGEMENT TEAM

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 sector, 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 JKH in 2003 and in 2013 left the Group, rejoined in 2017. He holds an 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).

Shelanthi Perera

Senior Assistant 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 during 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).

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MATERIALITY

Our material topics represent those factors that are most relevant to our stakeholders, and which could have the most significant impacts on the Group's performance, economy, society and environment. We determine our material topics following dialogues with our stakeholders, critical assessment of our value creation model and in consideration of emerging risks and opportunities from the operating environment.

As the economic crisis unfolded during the year, crisis-led challenges came to the forefront while pandemic-led health concerns diminished in priority. Accordingly, our material topics were revised to reflect these developments with the addition of a new material topic pertaining to the management of working capital, cashflows and cost rationalization. The Group's material topics for 2022/23 are listed below:

Material topic and Developments in 2022/23	Materiality compared to last year	Corresponding GRI Topic and Sustainable Development Goal
Managing macro-economic challenges Sri Lanka's macro-economic stresses including shortage in foreign currency, sharp depreciation of the Sri Lankan Rupee, surging inflation, high interest rates, fuel and electricity tariff hikes and the resultant effects on disposable income of consumers had a direct impact on our operations.	Increased in importance	GRI 203 : Indirect economic impacts
Management of working capital, cashflows and cost rationalisation Emphasis on effective management of working capital and finance costs, given supply chain related challenges and the high interest rate environment.	New Topic	GRI 201 : Economic performance
Managing margins, enhancing financial performance and stability Difficulties in passing on cost increases to consumers had an impact on profitability margins.	Increased in importance	GRI 201 : Economic performance
Operational excellence and procurement practices Strategic emphasis on widening the local supplier base and pursuance of local alternatives to imported inputs to ensure security of raw material supplies given import restrictions and disruptions to supply chains. Emphasis on driving manufacturing and process efficiencies to manage costs and preserve profit margins.	Increased in importance	GRI 204 : Procurement practices
Customer health and safety Ongoing emphasis on providing a safe environment for customers visiting our retail stores and consuming our products.	No change	GRI 416 : Customer health and safety
Digitisation and E-commerce platforms Reflects strategic emphasis on digital infrastructure and data analytics.	Increased in importance	
Market leadership and market reach	No change	
Talent attraction and retention Increased prevalence of talent migration given the impacts of high inflation and the increase in personal income tax.	Increased in importance	GRI 401 : Employment GRI 402 : Labour/Management relations GRI 403 : Occupational health and safety 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
Providing value for money with quality products Reflects consumers' increasing concerns on affordability given macro-economic conditions.	Increased in importance	
Product labelling and market communication compliance	No change	GRI 417 : Marketing and labelling
Provide best in class customer service in Supermarkets	No change	
Innovation to promote health, nutrition and lifestyle changes	No change	GRI 416 : Customer health and safety
Stability and efficiency in distributor channels Strategic emphasis on managing distributor stability and enhancing the effectiveness and efficiency of distribution channels.	No change	
Environmental, social and governance Developing livelihoods through improving community infrastructure	No change	GRI 413 : Local communities GRI 203 : Indirect economic impacts
Compliance and good governance	No change	
Managing natural inputs and outputs	No change	GRI 301 : Materials GRI 303 : Water and effluents GRI 302 : Energy GRI 306 : Waste GRI 305 : Emissions

STRATEGY AND RESOURCE ALLOCATION

STRATEGIC PRIORITIES

We deliver our strategy under five overarching themes which support the continued creation of sustainable value to our stakeholders. Focusing on these priorities enabled us to adapt to the unprecedented challenges that emerged from the operating environment and allocate resources and management attention to issues based on their criticality. Progress made under each strategic pillar in 2022/23 are given below.

Sustainable growth

Initiatives

MANUFACTURING

- Increased emphasis on driving operational efficiencies at our production facilities.
- Conversion of a redundant glass bottle manufacturing line to a PET bottle manufacturing plant.
- Added 1,902+ coolers and freezers to the market.
- Investments in supply chain infrastructure and establishment of a new milk collection center.
- Strategic marketing initiatives and activations.
- Leveraged our digital infrastructure to derive greater synergies.
- Expanded exports of beverages and frozen confectionery.

SUPERMARKETS

- Converted 3 of our stores to Concept stores with modern tech features as well as an enhanced range.
- Leveraged the state-of-the-art distribution center to address supply chain disruptions and ensure the availability of products.
- Investments in supply chain infrastructure,
  - Two new collection centers at Keppetipola and Nuwara Eliya.
  - Two new seasonal collection centers at Kudaoya and Adikarigama, facilitating direct sourcing of fresh produce.
- Expanded the affordable product range in our supermarkets.
- Commenced exports of fresh produce.
- Leveraged our digital capabilities to drive greater operational efficiencies.

Resource allocation

CAPITAL EXPENDITURE

Rs. 3,643 Mn Invested in Supermarkets

Rs. 1,290 Mn Invested in Manufacturing

7,025 New employees recruited

Stakeholders impacted

- Shareholders
- Customers
- Suppliers and business partners

Fulfilling the customer promise

Initiatives

MANUFACTURING

- Ensured the availability of our products despite supply chain disruptions.
- Launched the PET 250ml packaging for beverages to increase access to affordable products.
- Reformulation of the Fit-O range to enhance taste and texture.
- Launched 7 new products in frozen confectionery while expanding our product range to include dry products such as waffle cones.

SUPERMARKETS

- Continued emphasis on enhancing the customer retail experience through the expansion of the Concept store footprint.
- Ensured product availability at all stores despite disruptions to supply chains particularly during the first half of the year.
- Increased focus on offering access to affordable products given the sharp increase in inflation.
- Delivered on our freshness guarantee by leveraging our distribution center and investments in supply chain infrastructure.
- Leveraged our advanced analytics capabilities.

Resource allocation

INVESTMENTS IN R&D

Rs. 60 Mn Invested in Manufacturing

5,640 Employees trained on customer service

Rs. 1 Bn Invested in advanced data analytics

Stakeholders impacted

- Customers

Empowered Team

MANUFACTURING

- Extended financial and other relief to employees to assist in overcoming inflationary pressures.
- Implemented the 'Sara Midula' programme to promote home gardening among employees.
- Provision of 100 days paid paternal leave to all employees on the birth/ adoption of a child.
- Ongoing emphasis on creating a diverse, equity and inclusive workplace.
- Carried out competency mapping for 90 sales representatives in the Beverage category.
- Implemented the "Skill Fit" programme to attract high quality talent.

SUPERMARKETS

- Extended financial and other relief measures to employees to assist in overcoming inflationary pressures.
- Implemented the "Be-the-Boss" Programme to develop high-potential employees and facilitate career progression.
- Strategic focus on creating a diverse, equity and inclusive workplace.
- Implemented the "Skill Fit" program to attract top talent.

Rs. 9,216 Mn Payments to employees

Rs. 71 Mn Invested in training & development

Rs. 18 Mn Invested in health and safety

Employees

Customers

Managing the value chain

MANUFACTURING

- Deeper collaborative relationships with distributors through the consolidation of the distributor network and trade loyalty schemes.
- Automation of routine processes and greater engagement through digital platforms including the SURGE platform.
- Continued purchase of raw materials at fair prices from the farmer community, despite a drop in demand volumes.
- Strategic emphasis on expanding our reach across the small and medium modern trade outlets.
- Exploring partnerships with suppliers in import substitution industries.

SUPERMARKETS

- Leveraged the state-of-the-art distribution center to reduce suppliers' inbound logistic constraints.
- Capacity building and promotion of sustainable agricultural practices among farmers through the "Govi Diriya" programme.
- Automation and collaboration through digital platforms including KANE.
- Optimise distribution through investments in supply chain infrastructure.

Rs. 116,688 Mn Payments to suppliers

Rs. 4 Mn In supplier development

Suppliers

Distributors

Retailers

Sustainable and responsible organization

MANUFACTURING

- Ongoing focus to reduce the use of plastic and non-renewable packaging materials in the manufacture of beverage and frozen confectionery products.
- Strategic emphasis on increasing plastic collection and recycling.
- Critical evaluation of our production processes to identify areas to reduce energy consumption and increase energy efficiency.
- Investments in CSR initiatives to address nutrition relate concerns.
- Uplift the communities surrounding our manufacturing operations.

SUPERMARKETS

- Installation of solar roof systems at 12 supermarkets.
- Enhanced the monitoring of energy consumption to increase energy efficiency across supermarkets.
- Investments in CSR initiatives to address nutrition relate concerns.
- Youth empowerment through our partnership with the University of Kelaniya.
- Ongoing emphasis on reducing the use of single-use polythene at supermarkets.

Rs. 149 Mn Invested in solar power

Rs. 378 Mn In environmental preservation

Rs. 23 Mn Invested in plastic recycling

Rs. 49 Mn Invested in CSR

Communities

MEASURING PROGRESS

	Sustainable growth	Fulfilling the customer promise
Performance	Both Manufacturing and Supermarkets Segments experienced an inevitable decline in sales volumes as surging inflation resulted in a downturn in consumer spending. However, Maximum Retail Price (MRP) increases enabled the Group to maintain profitability albeit lower than last year, given rising costs. Despite dampened performance during 2022/23, we continued to invest in strategically critical aspects of our operations and are well positioned to capitalize on growth opportunities in the future.	In Supermarkets, Keells brand increased in value and was ranked the strongest brand and the most valuable supermarket brand in the country. In Manufacturing, the Elephant House brand increased in value and was ranked among Sri Lanka's top 15 consumer brands.

Key Performance Indicators

Sustainable growth

MARKET SHARE

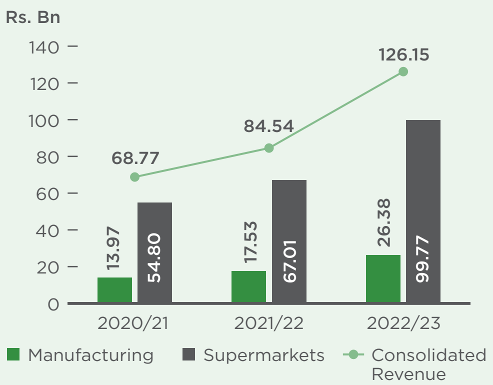
- Maintained the market shares.
- Gained a double digit market share in the small PET range (in Beverages) with the launch of the 250ml packs in November 2022.

OPERATIONAL EFFICIENCY

- OEE of the PET bottle line increased from **82%** to **84%**.
- **14%** increase in the filling speed of the 1L pack size.
- Increased the efficiency of the Cup and Cone line from **80%** to **83%**.

REVENUE AND PROFITS

Revenue



Fulfilling the customer promise

NEW PRODUCTS

Manufacturing

- Launched 250ml PET packs and reformulated Fit-O in the Beverage segment.
- Launched **7** new products in the Frozen Confectionery segment.

BRAND VALUE

Supermarkets

The Keells brand,

- Ranked as the strongest brand in the country in 2022. (by Brand Finance 2022)
- Most valuable supermarket brand in the country in 2022. (by Brand Finance 2022)
- Increased in value by **17%**.

Manufacturing

The Elephant House brand,

- Ranking improved to 13th most valuable brand in the country in 2022.
- Increased in value by **16.1%**.

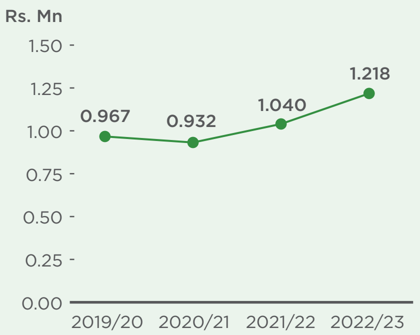
Empowered Team

Employee satisfaction levels as measured through the “Great Place to Work” survey improved significantly in both Manufacturing and Supermarkets supported by fair remuneration, ongoing engagement, opportunities for growth and strategic focus on employees’ physical and mental well-being.

EMPLOYEE SATISFACTION RESULTS

- Manufacturing - **78%**
- Supermarkets - **80%**

REMUNERATION PER EMPLOYEE



Managing the value chain

Ongoing strategic focus on developing mutually beneficial partnerships with distributors, suppliers and farmers through financial support, holistic development programmes and capacity building with emphasis placed on up-scaling local suppliers.

DISTRIBUTOR NETWORK

Manufacturing

- SMMT base increased from to **1,100**.
- Distribution retention rate – **99%**
- **15** new re-distributor operations added.

SUPPLIERS

Manufacturing

- Partnerships with over **7,298** farmers.
- **10** new local suppliers.

Supermarkets

- **326** suppliers onboarded to the KANE platform.
- **>200** applied for GMP certification through the "Govi Diriya" programme.
- **143** new local suppliers.

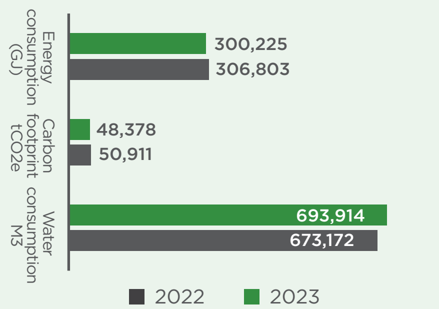
Sustainable and responsible organization

We continued to invest in strategic initiatives to reduce our environmental impact in line with the environmental promises of our Parent John Keells Holdings.

CCS also invested in several CSR programmes to address food security related concerns that emerged given the economic crisis where a program was initiative to provide a daily meal to children at the Ranala Adarsha Kanishta Vidyalaya for 1 year.

Empowering women through the “Dinanee” programme which encourages women to join the Frozen Confectionery category as distributors, mobile unit operators, parlour operators and sales representatives.

ENVIRONMENTAL IMPACTS



PLASTIC AND SINGLE-USE POLYTHENE

- **35%** reduction in single-use polythene.
- **1,006%** increase in plastic recycled.

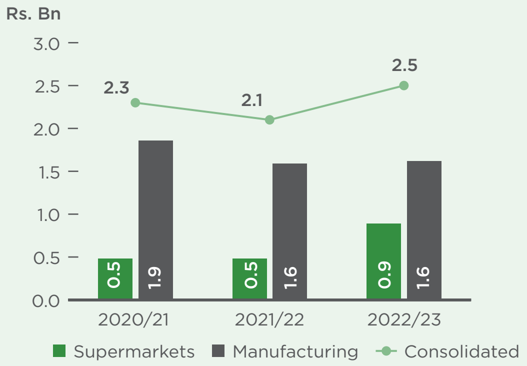
MEASURING PROGRESS

	Sustainable growth	Fulfilling the customer promise
Key Performance Indicators	**Profit After Tax**	**Store equity index**

Sustainable growth

Key Performance Indicators

Profit After Tax



EXPORT EARNINGS

- Increased **126%** during the year.

Capital outcomes / impacts

FINANCIAL CAPITAL

+ Consolidated revenue growth of **49%** to **Rs. 126.1 bn.**

+ Consolidated profit after tax growth of **21%** to **Rs. 2.5 bn.**

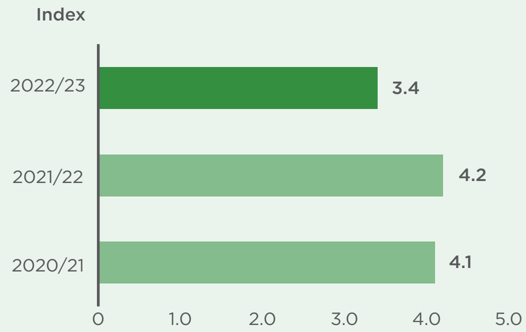
MANUFACTURED CAPITAL

+7% increase in PPE to **Rs. 27.3 bn.**

Fulfilling the customer promise

Key Performance Indicators

Store equity index



Capital outcomes / impacts

SOCIAL AND RELATIONSHIP CAPITAL

+ Strengthened our customer relationships.

INTELLECTUAL CAPITAL

+ Our brands increased in value.

+ Expanded our recipe library.

Empowered Team

TRAINING HOURS
- Total training hours - **154,410**
- Average training hours per employee – **20**

NO. OF PROMOTIONS
- No. of promotions – **546**

FEMALE REPRESENTATION
- Female representation – **41%**

HUMAN CAPITAL
+ Strengthened our employee value proposition.

Managing the value chain

CAPACITY BUILDING
- **172** training programmes for distributors and suppliers.
- **133** supplier audits.

SOCIAL AND RELATIONSHIPS CAPITAL
+ Strengthened partnerships along the value chain.
+ Increased customer reach and accessibility.
+ Availability of high-quality fresh produce for customers.

Sustainable and responsible organization

SOLAR POWER GENERATION
- **45,725 GJ** of solar power generated.

CSR BENEFICIARIES
- Over **1.1 Mn** CSR beneficiaries.

SOCIAL AND RELATIONSHIP CAPITAL
+ Uplifted local communities through relevant CSR projects.

NATURAL CAPITAL
- Increased use of natural resources.
+ Increased power generated from renewable sources.
+ Reduced waste directed to landfills.

OPERATING ENVIRONMENT

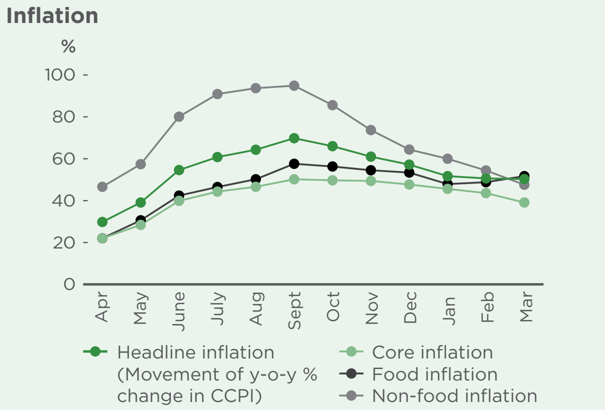
The financial year under review was marked with unprecedented economic challenges. Sustained fiscal disparities and external sector imbalances resulted in the depletion of the nation's foreign currency reserves and the cessation of foreign debt repayments in April 2022. The consequent economic fallout, social unrest and political fluidity presented tremendous challenges, necessitating great agility in business practices and operations.

With the IMF Board approval of the Extended Fund Facility (EFF) and the release of its first tranche, marks the initial step towards a potential recovery and stability to the acute and unprecedented economic crisis that gripped the country in 2022/23. While numerous uncertainties persist, we are cautiously optimistic that the restoration of political stability and support from the IMF will lead to improved economic prospects in the coming year.

Macro-economic considerations

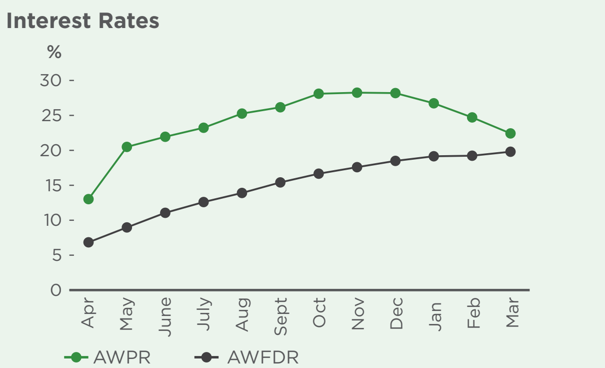
INFLATION

- Inflation soared in 2022, on the back of high global commodity prices, the sharp depreciation of the Sri Lankan Rupee, the introduction of the fuel price formula to the domestic market to better reflect global price movements and reduced productivity of the Agriculture sector.
- Headline inflation peaked at 69.8% (CCPI) y-o-y in September 2022 but has since trended downward; headline inflation improved to 50.3% (CCPI) y-o-y in March 2023 while food inflation decelerated to 47.6% by the same date.



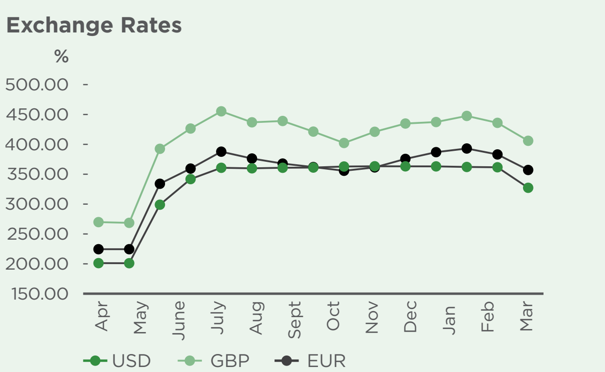
INTEREST RATES

- CBSL continued to tighten monetary policy during 2022, with the aim of curbing surging inflation, and easing the imbalance in the external sector.
- Consequently, AWPLR increased 1,863 basis points to 27.24% by December 2022, but has since declined to 22.42% by March 2023.



EXCHANGE RATE

- The Sri Lanka Rupee depreciated sharply against the USD given low Gross Official Reserves and a shortage of foreign currency in the domestic foreign exchange market.
- However, the exchange rate stabilized somewhat from mid-May 2022, and has since strengthened, underpinned by policy initiatives to preserve liquidity, and the release of the first tranche of the IMF-EFF.
- The Sri Lankan Rupee depreciated 86% to LKR 363.11/USD as at end-Dec 2022, but has since appreciated 10% and stood at LKR 327.28/USD by end-March 2023.



Source: Central Bank of Sri Lanka

Macro-economic considerations	Implications on CCS

SOVEREIGN CREDIT RATING

Sri Lanka's sovereign credit rating was downgraded to Selective Default (S&P) following the announcement of a temporary cessation to external debt servicing by the Government of Sri Lanka (GOSL).

GDP

GDP contracted 7.8% in 2022 compared with a 3.7% growth in 2021 reflective of the economic disruptions arising from crisis-led shortages in fuel and cooking gas, power outages, challenges in sourcing imported raw materials and finished goods, and soaring costs of production.

	Growth rate
Agriculture	-4.6%
Industry	-16%
Manufacturing	-12.6%
Manufacturing of food, beverages and tobacco products	-14.2%
Services	-2%
Wholesale and retail trade	-0.2%

Source: Dept. of Census and Statistics

EXTERNAL SECTOR PERFORMANCE

- Buoyed by a significant expansion in earnings from the textile and garment industry and the implications of import restrictions, Sri Lanka recorded a 36% decline in its trade deficit to USD 5.1 Bn in 2022. The improvement in the trade deficit continued into the first quarter of 2023 and stood at USD 412 Mn as at end-March 2023.
- The recovery of the tourism industry, increased workers' remittances and improving trade balance contributed to a balance of payments surplus of USD 120 million as at end-Dec 2022 compared to a deficit of USD 1,139 million as at end-Dec 2021.

Source: Central Bank of Sri Lanka

OPPORTUNITIES

- Develop local suppliers particularly in import substitution industries.

RISKS

- Withdrawal of credit terms by suppliers and the requirement of advance payments for inputs.
- Disruptions to supply chains.
- Escalations in costs.
- Subdued consumer demand and affordability considerations given impacts on disposable income.
- Rising finance costs.
- Liquidity crunch along the value chain.

OUR STRATEGIC RESPONSE

- The Group implemented a range of measures to address the risks stemming from the macro-economy including,
  - Detailed cashflow forecasting to manage liquidity concerns.
  - Strengthened relationships with value chain partners and extending support to ensure business continuity when necessary.
  - Capacity building of local suppliers.
  - Introduction of numerous measures to address customer affordability concerns.
  - Leverage JKH Group synergies.
  - Increased emphasis on driving operational efficiencies and cost rationalization to contain costs.

ENGAGEMENT WITH THE IMF

- Following the cessation of external debt repayments, the GOSL engaged with the IMF for an EFF of approximately USD 3 billion and an IMF supported programme.
- A staff level agreement was reached in September 2022, while Board approval was obtained in March 2023 alongside an initial disbursement of approximately USD 333 million.
- IMF Board approval is also expected to increase accessibility to funding from other bi-lateral and multi-lateral lenders, whose financing had been on hold until IMF Board approval was obtained.
- The IMF supported programme is expected to restore macro-economic stability and debt sustainability alongside structural reforms that could spur sustainable and equitable economic growth.

OPERATING ENVIRONMENT

FUTURE ECONOMIC OUTLOOK

The Government and the Central Bank of Sri Lanka (CBSL) have implemented a multitude of much required reforms to stabilise the macro-economy and the overall operating landscape, which has proved fruitful thus far in stabilising the economy through effectively managing demand pressures, curbing the rapid rise in inflation and easing the pressure on the external sector. Such policy measures coupled with the IMF Extended Fund Facility (EFF) arrangement, which is aimed at restoring macroeconomic stability, debt sustainability, safeguarding financial system stability and strengthening governance, is envisaged to provide a strong foundation for the economy's sustained recovery. Against this backdrop, CBSL projects the economy to contain its contraction to 2.0% in calendar year 2023 and rebound thereafter to a growth of 3.3%. In April 2023, Sri Lanka received the initial tranche of ~USD 333 million whilst the creditor nations convened in May 2023 to find an appropriate solution to debt treatment, consistent with the parameters of the IMF programme. Sri Lanka is now faced with the challenging task of negotiating with the country's creditors to reach an equitable debt treatment plan with all creditors. The risk premia currently attached to domestic debt as a result of this uncertainty should fall away once there is clarity on the domestic debt restructure with expectations that interest rates will ease thereon. Although the macroeconomic conditions have improved tremendously, the impact on consumer discretionary spend and overall growth remain uncertain. Looking beyond these short-term challenges, with the appropriate policy response, the economy is envisaged to gather growth momentum in the medium-term and the underlying prospects for the economy are positive with growth expected to be driven by higher exports, expansion of the services sectors and the potential for higher foreign inflows. The revival of the tourism sector will also be a key catalyst of economic growth, particularly in the context of the positive impact it will have on foreign exchange earnings.

Government policy

A range of policy measures were implemented by the GOSL to preserve foreign currency, address the implications of the economic fallout and fiscal imbalances and comply with the pre-requisites of the IMF programme. Key policy initiatives implemented during the year include,

- Tighter restrictions on imports and the rationing of fuel.
- Fiscal reforms which included an increase in Value Added Tax from 8% to 15%, the introduction of Social Security Levy, increase of corporate income tax rate to 30% and broad basing and increasing personal taxes.
- Cost-recovery based energy pricing for fuel and electricity.

Other policy related implications include regulations on product safety, product labelling guidelines, data security related regulations and guidelines on increasing plastic recycling by manufacturers.

Implications on CCS

Opportunities	Risks	Our strategic response
➤ Increased value creation for the GOSL. ➤ Strengthening local supply chains. ➤ Pursue sustainable packaging options. ➤ Increased focus on recycling packaging materials and minimizing waste.	➤ Implications on shareholder returns. ➤ Challenges in accessing key inputs and products. ➤ Escalations in input prices and margin volatility. ➤ Volatility in energy prices. ➤ Implications on demand dynamics arising from personal tax reforms.	➤ We engaged closely and complied fully with all the relevant tax implications. ➤ Both Manufacturing and Supermarkets strengthened partnerships and engaged in capacity building with local suppliers, particularly those in import substitution industries. ➤ We placed greater emphasis on increasing energy efficiency in both Manufacturing and Supermarket segments.

Labour migration

- The economic fallout resulted in a mass exodus of talent seeking employment opportunities abroad.
- Labour migration increased 154% Y-O-Y to 311,269 during the period January to December 2022 and was the highest recorded in history.

Implications on CCS

Opportunities	Risks	Our strategic response
➤ Enhance our employee value proposition. ➤ Look at automation, process improvement and synergies to manage with less carder.	➤ Disruptions to operations given the loss of talent holding business critical positions and challenges to recruitment on a timely basis. ➤ Implications on the Group's tacit knowledge.	We engaged closely with employees to identify and address key issues and concerns. Strategic measures were implemented accordingly, to promote physical and mental well-being, and enhance growth potential through training and career progression opportunities. We also strengthened our recruitment strategy through the implementation of the SkillFit programme.

Digital disruptions

Rapid advances in data analytics and digital technologies are transforming the way we do business, reshaping consumer behaviour and decision making, driving innovation and expanding our reach.

Implications on CCS

Opportunities	Risks	Our strategic response
➤ Enhance decision making through data driven insights. ➤ Drive operational efficiencies and productivity across the value chain. ➤ Improve the customer experience through deep market insights. ➤ Develop alternative local materials to reduce the exposure towards imports. ➤ Focus and grow exports.	➤ Increased exposure to cyber security and data privacy risks. ➤ Reputation risk arising from system failures and breakdowns.	➤ We leveraged digital platforms to support the uninterrupted supply of inputs and drive efficiencies across the value chain. ➤ Extensive use of data analytics to provided better value to customers and drive operational efficiencies such as: • **Supermarkets** - Personalized promotions to customers, personalised and proactive interventions to retain customers and maintain loyalty, determining optimum order quantities at SKU and supplier level, real-time replenishment alerts to outlet staff. • **Manufacturing** - Improved effectiveness of the discounts offered to outlets, optimization of modern trade promotions and optimization of the distributor margins. ➤ The Supermarkets Segment expanded the Concept store footprint which offers world-class retail technology, thereby transforming the customer experience and sharpening our competitive edge.

OPERATING ENVIRONMENT

Implications of climate change

The intensifying implications of climate change are being felt across the world, with impacts on agriculture and the global food supply, human welfare and economic productivity among others. As an organisation dependent on agricultural inputs, the Group is exposed to the implications of climate change in the following manner;

- Vagaries in weather patterns and natural disasters affect the uninterrupted supply of agricultural inputs for Manufacturing and the availability of fresh produce for the Supermarkets Segment.
- Water stress and its impact on our Manufacturing operations.
- An increase in environmental consciousness among consumers.

Implications on CCS

Opportunities	Risks	Our strategic response
➤ Opportunity to build resilience across the supply chain. ➤ Opportunity to invest in minimising our own environmental footprint. ➤ Increased appeal among Generation Z and millennials who represent increasingly ethical consumers.	➤ Disruptions to supply chains. ➤ Price volatility and demand implications arising from natural disasters and erratic weather conditions.	➤ Sustainability is embedded in how we do business through ongoing investments and initiatives to minimise our environmental footprint. To this end, we have • Invested in solar power generation. • Targets to minimise plastic use. • Recycling plastic waste • Propagating sustainable business practices across the value chain. • Increased emphasis on minimising waste.

Evolving customer preferences

The preferences of consumers are ever evolving and are influenced by a range of factors including health considerations, the greater trends in the macro-economy and sophistication in taste preferences. Customer preferences during 2022/23 reflected,

- Subdued demand and increased emphasis on affordability given impacts on disposable income.
- Greater focus on health and nutrition.
- Increased emphasis on sustainability and environmental consciousness.
- Increased focus on convenience and enhanced retail experience.

Implications on CCS

Opportunities	Risks	Our strategic response
➤ Expansion of the affordable product range. ➤ Opportunities for new retail propositions. ➤ Increased penetration in products that promote health and well-being.	➤ Decline in demand for beverages and frozen confectionery products given affordability and health concerns.	➤ In response to increased price consciousness of customers, Manufacturing introduced small pack sizes for its beverages while Supermarkets expanded its affordable product range. ➤ While price increases were implemented, cost increases were not fully passed on to customers, given increasing concerns on afforadabilty and demand dynamics. ➤ The Supermarkets Segment expanded its Concept store network while Frozen Confectionery introduced 7 new products to maintain the vibrancy of the brand. ➤ The Manufacturing segment reformulated the taste and texture of the Fit-O range.

OUR COMMITMENT TO SUSTAINABILITY

The socio-economic consequences of the economic crisis and the increasing implications of climate-change have accentuated the role of organisations in addressing the broader challenges of our society. We are acutely aware of the impact we can make through our extensive supply chain and manufacturing and retail footprint and remain committed to looking beyond short-term financial gains to build a more sustainable business.

Sustainability Context

Food security related concerns on the backdrop of surging inflation.	Loss of livelihoods given crisis-led challenges in sourcing inputs, cost escalations and rising energy prices.

Addressing food security related concerns

Food security (reliable access to nutritious food) and malnutrition related concerns among vulnerable communities were at the forefront during 2022, as soaring food prices and dwindling disposable incomes impacted the quality and quantum of food consumed. Consequently, we placed emphasis on addressing these concerns, leveraging our partnerships to create a greater impact.

Gunadamin pasal diriya' initiative	'Sara Midula' programme	'Together for a Better Tomorrow' (Keells Donation Card)	'A nutritious tomorrow for our little ones'	'Say no to food waste'	Increasing the affordable product range at supermarkets.
550 nutritious meals daily to school children	**6** Employees at the Ranala factory	**25,000** beneficiaries	**995** Pre-school children **49,578** Meals donated	**Over 100,000** Beneficiaries	

Diversity and inclusion

Our Diversity, Equity and Inclusion (DE&I) commitments are guided by the Group's One JKH programme and extends beyond the boundaries of our organization, promoting female empowerment in the wider community.

3,131 Female representation in the workforce.	**At CCS,** ➤ Set targets to increase female participation by 2025. ➤ Policies and initiatives to ensure a female friendly work environment. ➤ Celebrating the contribution of women to the organization. ➤ Introduction of a supermarket run only by women.

Community based,

➤ >10% female participation in "Govi Diriya", the farmer capacity building programme in the Supermarket segment.

➤ 'Dinanee' programme in Frozen Confectionery.

Livelihood and capacity development

We placed greater emphasis on the socio-economic context of the economic crisis by implementing a range of measures to safeguard the well-being of our employees and supply chain partners. These included,

Rs. 86 Mn Relief measures extended to employees given due to the economic crisis.	**168** Value chain partners added	**133** Supplier audits	➤ Honoured all contractual terms with local farmers despite a dip in demand. ➤ Enhanced the employability of undergraduates through our Partnership with the University of Kelaniya

Intensifying implications of climate change.	Increased landfill waste stemming from wastage, polythene and plastic usage.	Sedentary lifestyles and increasing prevalence of non-communicable diseases.

Climate action

We are acutely aware of the impact of our operations on the environment and strive to minimise our environmental footprint through strategic initiatives.

Solar power generation	Energy intensity GJ/1,000 Ltrs	Carbon intensity
45,725 GJ Solar power generated through rooftop solar systems installed at 94 supermarkets and the Ranala plant	**1.026** Manufacturing **0.131** Supermarkets	**46.047 tCO2e**

- Critical evaluation of processes in Manufacturing to identify and reduce energy consumption.
- Close monitoring of energy consumption in Supermarkets and immediate remedial action.
- 100% LED lighting at supermarkets.
- 52 Suppliers subjected to environmental assessments.
- Propagate sustainable agricultural practices.

Reduce our impact on landfills

We are committed to reducing our impact on landfills by driving initiatives to minimise waste and expanding our efforts in recycling.

Gunadamin plastic recycling initiative	Reduce single-use polythene and plastic at supermarkets	Say no to food waste
311 Mt (+1,006%) recycled **4** material recovery centers added	**35%** reduction	**Over 1 Mn** of fresh produce re-purposed

Healthier alternatives

Given increased customer propensity towards healthier alternatives, we have sought to reduce the harmful impacts of our products while offering a wider choice of healthier alternatives and promoting responsible consumption. These include,

- **16** products in the non-CSD range.
- **99%** of CSD portfolio is in the amber or green categories for sugar content.
- **45%** substitution of calorific sugar with natural sweetner in the CSD sugar content.
- Introduction of 'Feelgood' wellness range under Frozen Confectionery which includes Frozen yoghurt and No added sugar ice creams.
- "Getting home safely for a better tomorrow" campaign during the Christmas season to promote responsible consumption of alcohol.
- Responsible product labelling and marketing.

DELIVERING OUR STRATEGY THROUGH OUR BUSINESS LINES

Manufacturing

As a leader in the country's beverage and frozen confectionery markets, our Manufacturing segment is renowned for its household brand names, an exciting range of high-quality products and an extensive distributor network that enables the delivery of our products to households across the country.

Operating context

- Macro-economic developments
- Government policy measures
- Labour migration
- Changes in Taxation
- Implications of climate change
- Evolving customer needs
- Digital disruption

Implications

The operating environment significantly impacted the business activities of the Manufacturing segment.

- Dampened consumer demand resulted in an 5% and 7% drop in volumes in Beverages and Frozen Confectionery respectively.
- Cost of input material and energy escalated while consumers became more price conscious. Resultantly, we were unable to pass on the full cost increase to consumers.
- Sourcing imported input materials was challenged given heightened import restrictions and shortage of foreign currency in the banking system.
- Shortage of fuel and gas impacted the distribution operations.
- The manufacturing operations suffered from disruptions caused by power outages, which resulted in additional expenses for running generators and implementing night shifts.
- Loss of talent in line with the mass exodus of talent from the country.
- Rising interest rates coupled with increased working capital requirement contributed to a sharp increase in finance costs.
- Investment in new capex and expansions were curtailed due to forex shortages and restrictions on imports.
- Implications on working capital as foreign suppliers withdrew credit terms and required advance payments following the sovereign rating downgrade.
- Technology continued to enhance decision making while enabling greater engagement with customers, suppliers, and distributors.
- Exposure to climate related risks remained given our dependency on agriculture-based inputs.

Our Strategic Response

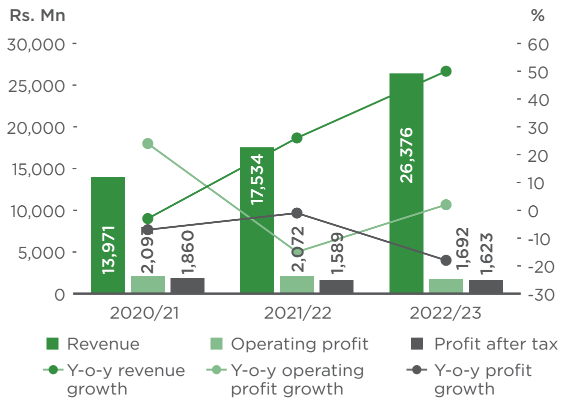
We adopted a future focused strategy in response to the unprecedented challenges of 2022/23. Strategic interventions include,

- Efforts to enhance the affordability of our products through the partial absorption of costs exerted pressure on margins but enabled the retention of our market leadership position.
- The launch of PET 250ml pack size in Beverages enhanced the affordability of our products and enabled the capture of double digit market share in this segment.
- The launch of 7 new products in Frozen Confectionery to maintained the vibrancy of the brand.
- Strategic market activations increased brand engagement contributing to a +16% increase in the Elephant House brand value.
- Emphasis on increasing operational efficiency and minimising waste resulted in significant cost saving during the year.
- Emphasis on employee well-being enhanced motivation and increased productivity.
- Capital expenditure was directed towards maintenance and upkeep of machinery.
- Focused on working capital management by optimizing inventory holding, debtors collections and creditors payments,
- We effectively managed liquidity by through detailed and frequent cashflow forecasting.
- Worked closely with suppliers to ensure the uninterrupted supply of inputs.
- Strengthened relationships with distributors to ensure the uninterrupted distribution of our products island wide.
- Engaged in capacity building of local suppliers/farmers.
- Maintained focus on reducing our environmental footprint by increasing energy efficiency, minimising the use of plastic while enhancing plastic recycling.
- Utilised technology to enhance engagement with suppliers/ distributors and customers while increasing operational efficiency.
- Leveraged Group synergies to respond more effectively to challenges.

Outlook

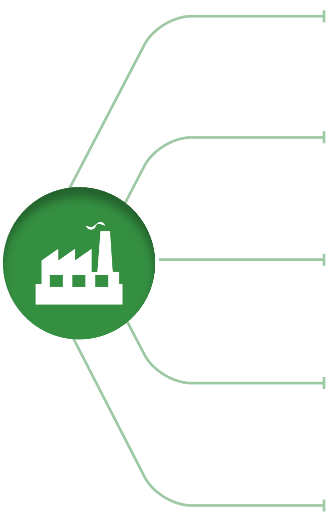
Although the economic crisis may have short-term impacts on the manufacturing segment, there is optimism for growth potential in the medium to long term, especially with the economic stability brought by the IMF loans, the appreciation of the rupee, and the improvement of foreign remittance. This is expected to lead to a decrease in fuel and electricity rates, a drop in interest rates and consequently an increase in both consumer spending and tourism. We will continuously adapt our product portfolio to meet emerging consumer needs while leveraging our brands and extensive distributor network to capture potential opportunities in the future. Additionally, we will strategically focus on enhancing the operational efficiency of our manufacturing facilities and strengthening our value chain partnerships.

Performance - Manufacturing



Rs. 26,376 Mn (+50%) Revenue	**Rs. 1,623 Mn (+2%)** Profit after tax	**Retained Market Position** in Beverages and Frozen Confectionery
23% Gross profit margin	**6.42%** Operating profit margin	**6.15%** Net profit margin

CONTRIBUTION TO THE GROUP



21% Revenue

27% Operating Profit

65% Profit after tax

36% Total assets

19% Total liabilities

VALUE CREATED / CAPITAL OUTCOMES IN 2022/23

Financial Capital

Revenue **Rs. 26,376 Mn (+50%)**

Profit after tax **Rs. 1,623 Mn (+2%)**

Retained Market Position in Beverages and Frozen Confectionery.

Gained **double digit** market share in the 250ml pack size for Beverages.

Manufactured Capital

Capital expenditure **Rs. 1,290 Mn (-3%)**

Investments to drive operational efficiency and maintain the manufacturing plants.

Human Capital

Payments to employees **Rs. 3,460 Mn (+14%)**

Includes relief measures granted in the context of the economic crisis.

Intellectual Capital

13 New products

Reformulation of Fit-O in taste and texture

Elephant House brand – **13th** most valuable brand in the country **(+16%)***

**Brand Finance 2022*

Social and Relationship Capital

Payments to local suppliers – **Rs. 15,610 Mn**

Investment in CSR – **Rs. 27 Mn**

Natural Capital

Energy consumption **97,129 GJ (+5%)**

Water consumption **386,160 M^3 (-2%)**

Plastic recycled **311 MT (+1,006%)**

DELIVERING OUR STRATEGY THROUGH OUR BUSINESS LINES

Supermarkets

Our Supermarkets Segment is a leader in the country's modern trade industry, offering a best-in-class retail experience through superior service quality, extensive product range and technology. The segment reaches customers through a geographical footprint of 131 outlets located across the country and the online platform and has been ranked the most valuable supermarket brand in the country for four consecutive years.

Operating context

- Macro-economic developments
- Government policy measures
- Labour migration
- Digital disruption
- Implications of climate change
- Evolving customer needs

Implications

The business activities of the Supermarket segment were significantly impacted by the operating environment.

- Although we were able to maintain footfall, inflationary pressures led to a decline in the basket size of consumers with increased emphasis on affordability.
- Cost of goods escalated amid surging inflation.
- Sourcing imported products was challenged given heightened restrictions on imports and shortage of forex.
- Ensuring availability of products at all supermarkets was challenged given the fuel crisis.
- The sharp rise in inflation and taxation exerted pressure on payroll costs.
- Loss of talent as Sri Lankans migrated abroad seeking better employment prospects.
- Rising interest rates contributed to a sharp increase in finance costs.
- Tax expenses increased 3% reflective of revisions to taxation.
- Withdrawal of credit terms by foreign suppliers following the sovereign rating downgrade.
- Technology provided new opportunities to engage with customers, employees, and suppliers.
- Implications of climate change in sourcing fresh produce for our supermarkets.

Our Strategic Response

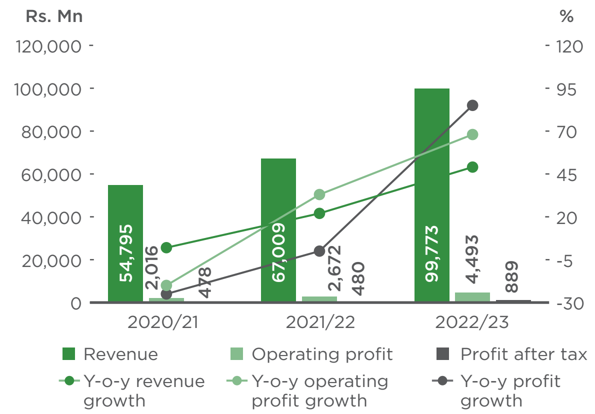
Navigating the challenges of 2022/23 required ever-evolving strategies to remain competitive and capitalize on growth opportunities. We,

- Expanded the affordable product range in response to increased price consciousness of consumers.
- Worked closely with suppliers to ensure product availability despite the challenges posed by the fuel crisis.
- Leveraged the strength of the new Distribution Center to ensure product availability at all supermarkets.
- Pursued a selective expansion strategy with 4 new outlets including 3 Concept stores opened during the year.
- Carried out strategic market activations to increase brand engagement.
- Placed emphasis on employee well-being, enhancing motivation thereby improving customer service.
- Effectively managed liquidity through detailed cashflow forecasting.
- Engaged in capacity building of local suppliers/farmers.
- Ongoing emphasis on reducing our environmental footprint by increasing energy efficiency and minimising the use of single-use polythene.
- Utilised technology to enhance engagement with customers, suppliers and employees while increasing operational and energy efficiency.
- Ongoing investments in renewable energy.
- Leveraged Group synergies to respond more effectively to challenges.

Outlook

While the short-term outlook for the Segment remains hampered by the implications of the economic crisis, we are optimistic of the growth potential in the medium to long term as the economy recovers. The early signs of easing include a good harvest and a decrease in fuel prices, easing inflationary pressures. Considering this, we are committed to evolving our service proposition in line with shifts in customer needs to provide a best-in-class retail experience to our customers. We also hope to expand our geographical footprint through the addition of new outlets across the island while driving efficiencies across our operations and the supply chain.

Performance - Retail



Rs. 99,773 Mn (+49%) Revenue	**Rs. 889 Mn (+85%)** Profit after tax	Retained Market Position
6% Gross profit margin	**4.50%** Operating profit margin	**0.89%** Net profit margin

CONTRIBUTION TO THE GROUP

79% Revenue

73% Operating Profit

35% Profit after tax

64% Total assets

81% Total liabilities

VALUE CREATED / CAPITAL OUTCOMES IN 2022/23

Financial Capital

Revenue **Rs. 99,773 Mn (+49%)**

Profit after tax **Rs. 889 Mn (+85%)**

Manufactured Capital

Capital expenditure **Rs. 3,643 Mn (-25%)**

Addition of **4** new outlets including **3** new Concept stores.

Human Capital

Payments to employees **Rs. 5,756 Mn (+33%)**

Includes relief measures extended to employees given heightened inflation.

Intellectual Capital

Keells brand – **Strongest brand** and **Most valuable supermarket brand** (**+17%** increase in brand value)*

**Brand Finance 2022*

Social and Relationship Capital

Payments to local suppliers – **Rs. 91,383 Mn**

Investment in CSR – **Rs. 22 Mn**

Natural Capital

Energy consumption **203,096 GJ (-5%)**

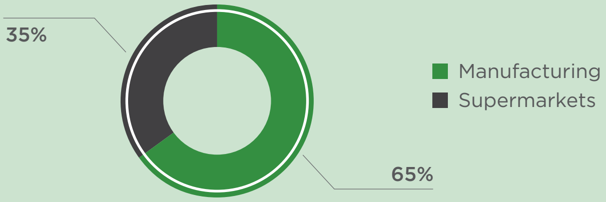
Water consumption **307,954 M3 (+10%)**

Single use polythene reduction **16%**

CAPITAL MANAGEMENT

Financial Capital

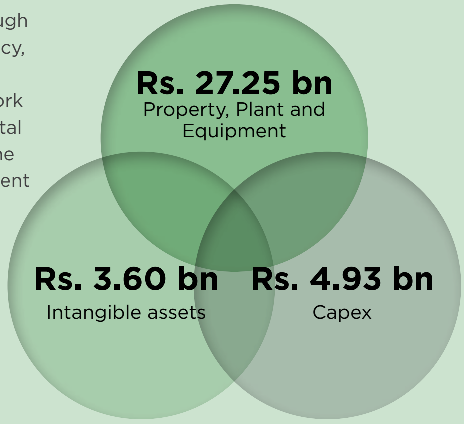
Contribution to Profit After Tax



Rs. 126.15 bn (+49%) Revenue	**Rs. 2.51 bn** (+21%) Profit After Tax	**Rs. 71.73 bn** (+13%) Asset base

Manufactured Capital

Value created through operational efficiency, expansion of the Supermarket network and leveraging digital infrastructure for the effective management of the value chain and support decision making.



Social and Relationship Capital

- Customers
- Distributors
- Farmers
- Suppliers
- Communities

Adapted our value proposition to fulfill the emerging needs of our value chain partners in the context of the operating environment.

Human Capital

7,568 Employees - Team CCS

964 employees
Manufacturing Sector

6,604 employees
Supermarket Sector

Emphasis on talent retention by delivering on our people promise and nurturing high potential talent for future leadership roles.

Natural Capital

Ongoing emphasis on minimizing the environmental impacts of our operations.

- Enhancing energy efficiency
- Re-cycling plastic and minimizing single use plastic/ polythene usage.
- Optimising water usage
- Reducing emissions

Intellectual Capital

Rs. 13.05 billion
'Elephant House' brand value in 2022*
**Brand Finance 2022*

Rs. 27.92 billion
Keells brand value in 2022*
Strongest brand in Sri Lanka in 2022*
Most valuable supermarket brand in Sri Lanka in 2022*
** Brand Finance 2022*

Enhanced the value of our brands through strategic brand activations, customer engagement and product innovation.

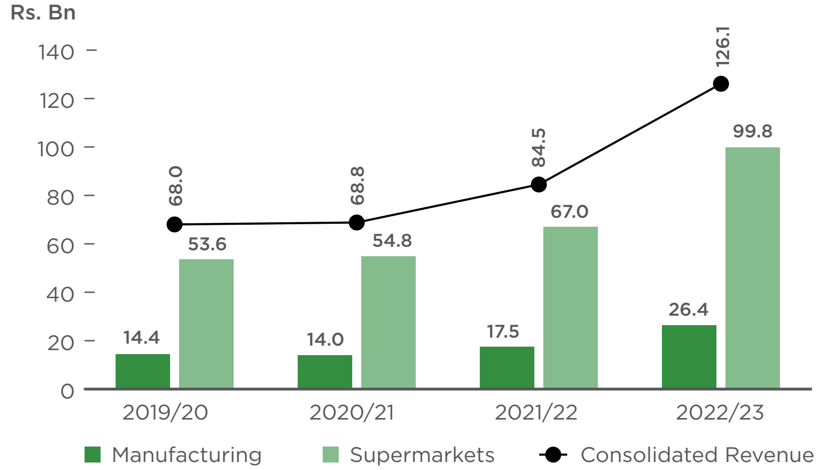
FINANCIAL CAPITAL

"The CCS Group, in the face of unprecedented challenges and market volatility, exhibited agility and resilience by implementing adaptive strategies to sustain its market position in key verticals whilst rationalising expenses and efficiently managing its working capital to create value for the stakeholders."

REVENUE

The Group's consolidated revenue expanded by 49% to Rs. 126.15 billion during the year, testament to management foresight in adapting strategy to navigate the challenges posed by the operating environment. In Manufacturing Sector, both Beverages and Frozen Confectionery categories recorded strong volume growth of 37% and 18% respectively during the first half of 2022/23. However, as inflation surged and disposable incomes were impacted, consumer spending subsided resulting in a deceleration in volume growth by the second half. Consequently, revenue growth in the second half was led by increased Maximum Retail Price (MRP) as the Group was compelled to pass on a certain potion of the cost escalation to preserve margins while catering to the price conscious consumer through smaller pack sizes. The Manufacturing Sector revenue experienced a notable increase of 50%, reaching a total of Rs. 26.38 billion. This notable growth is attributed to our strategic focus on protecting our market share through the expansion of our market reach, the provision of value-driven products to our consumers, and the strength of the Elephant House brand. The Supermarket Sector continued to demonstrate resilient performance with revenue expanding by 49% to Rs. 99.77 billion during the year underpinned by inflation driven MRP increases, the strength of the Keells brand, a best-in-class retail experience, high levels of personalised engagement with customers and strong focus on affordability. This offset the impact of contracting basket sizes. The Supermarket Sector contributed 79% to the Group revenue during the year.

Revenue



Gross profit

Consolidated gross profit increased by 40% to Rs. 12.75 billion during the year. The sharp depreciation in the Rupee, disruptions to supply chain, increases in energy and fuel expenses led to a rapid escalation in input costs in both Manufacturing and Supermarket Sectors. The Manufacturing Sector witnessed an increase of its input material cost by 93% which resulted in an erosion of its gross margins. As an FMCG company it was unable to pass on the full impact of the cost escalation given increased affordability concerns among consumers, the Group leveraged the Supermarket Sector's strong presence in the retail industry and its scale efficiencies to mitigate impact on gross margins. In the frozen confectionery category, a notable volume increase was recorded in the impulse segment which contributed towards margin preservation in the Manufacturing Sector. Consequently, the Group's consolidated gross profit margin dipped to 10.1% during the year from 10.8% the previous year. Other income expanded 42% to Rs. 2.6 billion reflecting higher promotional income in the Supermarket Sector.

Cost management

Given the impact of heightened inflationary impacts on the business activities, the Group adopted strategies to rationalize operational costs. Strategic emphasis was placed on enhancing operational efficiencies and cost rationalization while staff cost increased as a result of relief measures extended to support, motivate, and retain talent. Administrative expenses increased by 35% reflective of increase in people related cost and IT costs. The selling and distribution expenses experienced an expansion of 27% attributed to fuel rate hikes, increased sale staff costs, and higher

FINANCIAL CAPITAL

promotional expenses aimed at driving volume. Other operating expenses noted an increase of 466% arising from Social Security Contribution Levy. Despite the hyperinflationary environment that prevailed in the country with inflation peaking at 73.7% in September 2022, the Group was able to limit the total overhead increase to 47%.

Operating profitability

CCS consolidated operating profit increased by 30% to Rs. 6.19 billion during the year underpinned by a 68% expansion in the Supermarket Sector. The performance of the Supermarket Sector was upheld by expansion of its geographic reach, efficiencies in logistics, its strong focus on affordability, and data-led personalized engagement with customers as footfall remained strong despite the shrinkage in basket size. Whereas in the Manufacturing Sector, significant cost escalations and the inability to pass on its full impact to consumers resulted in reduction in operating profit to Rs. 1.7 billion from Rs. 2.1 billion of last year. The Group's operating profit margin dipped to 4.9% from 5.6% the previous year, while Manufacturing Sector noted a steeper decline of 6.42% from 11.82%. Commendably, the Supermarket Sector's operating profit margin improved to 4.5% from 4.0% the previous year.

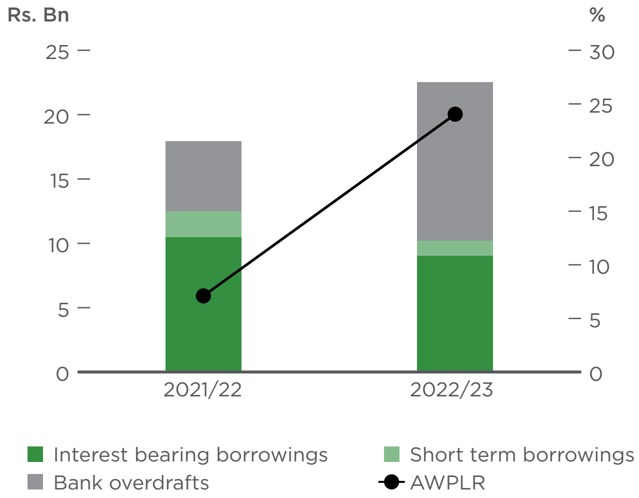
TAXATION

The Group recorded a tax reversal of Rs. 273.28 million for the year under review mainly due to the deferred tax reversal of Rs. 992 million arising on account of tax losses resulting from claim of Enhanced Capital Allowance (ECA) on the investment made in The Colombo Ice Company (Pvt) Limited. This offsets the impact of increase in Corporate tax rates from 18% (Manufacturing) and 24% (Supermarkets) to 30% from 1st October 2022. In line with the enactment of the Surcharge Tax Act No. 14 of 2022 from 8th April 2022, the Group's paid Rs. 249 million as Surcharge tax and this was recognized as an adjustment to the opening retained earnings for this financial year.

Profitability

Despite the expansion in operating profits, the Group's Profit Before Tax were dampened by the sharp increase in interest rates and the expansion of working capital which was funded through bank overdraft. The Group's net finance costs doubled to Rs. 3.97 billion during the year, contributing to a 19% decline in Consolidated Profit Before Tax to Rs. 2.24 billion. Consolidated Profit Before Tax were upheld by performance in the Supermarket Sector, which expanded 51% to Rs. 1.25 billion. Consequently, the Supermarket Sector's contribution to Group Profit Before Tax widened to 56% in 2022/23 compared with 30% the previous year. Overall, Consolidated Profit After Tax expanded 21% to Rs. 2.51 billion as the aforementioned deferred tax reversal reduced the tax charge for the year.

Borrowings vs AWPLR



CASHFLOW

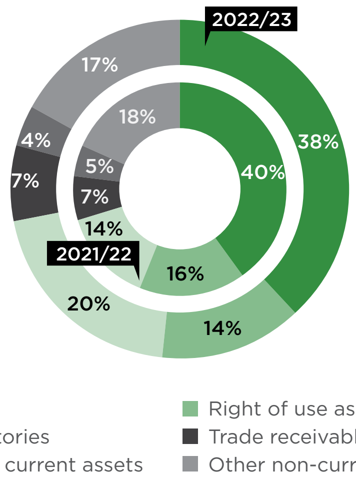
Disruptions to supply chains and the withdrawal of credit terms by foreign suppliers following the sovereign rating downgrade necessitated a strong focus on effective cashflow management. Net cashflow from operating activities declined by Rs. 3.25 billion reflective of increased investments in working capital as the Group consciously sought to maintain buffer stocks given the disruptions in the supply chain. Net cashflow from investing activities amounted to net outflow of Rs. 4.80 billion driven by the expansion of the Supermarket footprint and investments in digital infrastructure. Net cashflow from financing activities amounted to net outflow of Rs. 5.06 billion as the Group made a conscious effort to pare down borrowings given high interest rates. Consequently, the Group's cash and cash equivalents declined by Rs. 6.73 billion during the year.

ASSET STRENGTH

Consolidated assets expanded by 13% to Rs. 71.73 billion as at the year-end reflecting capital expenditure and an increase in working capital investment. The Group did not make large scale capital investments during the year given the prevailing cashflow constraints and higher interest rates. Consequently, total capital expenditure in property, plant and equipment amounted to Rs. 3.7 billion, primarily comprising investments in outlet expansion and general upkeep of plant and machinery. The Group's focus strategies in digital thrust continued into 2022/23, with investments of Rs. 1.0 billion during the year on enhancing its advance data analytical capabilities.

Ongoing efforts by both Manufacturing and Supermarket Sectors to secure inventories given disruptions in supply chains and increased restrictions on imports resulted in an expansion in working capital investments during the year. Consequently, the Group's working capital investments increased to Rs. 4.3 billion, with inventory expanding by 60%, trade receivables increasing by 19% while trade payables increased by 16%. Given increased investments in working capital, current assets increased in prominence within the asset mix accounting for 31% as at end-March 2023 compared with 26% in the previous year.

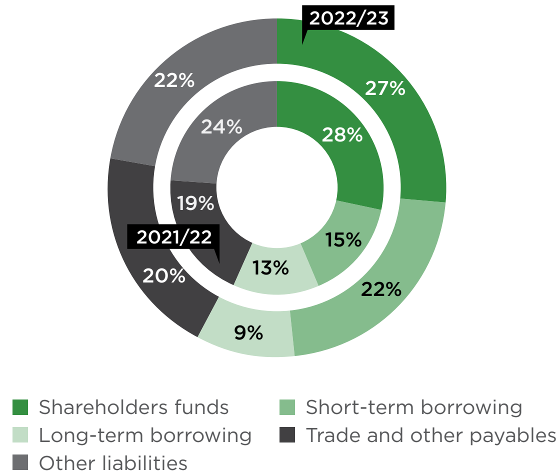
Asset Composition



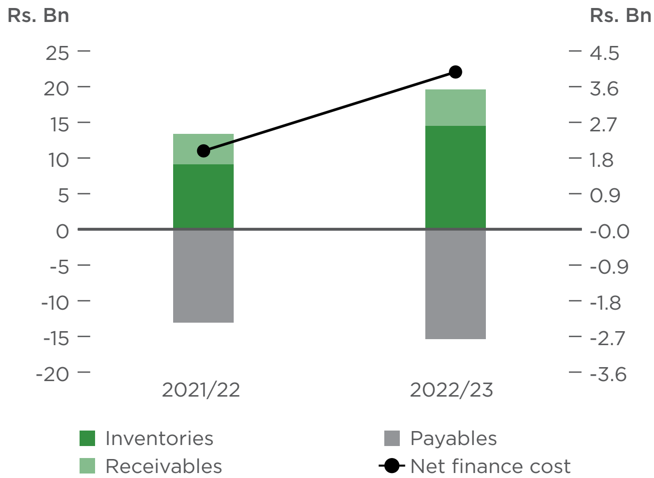
FUNDING PROFILE & WORKING CAPITAL MANAGEMENT

Despite an increase in consolidated borrowings to fund working capital requirements, the Group's debt-to-equity ratio remained at 118%. Shareholders' funds expanded by 5% to Rs. 19.08 billion as at end-March 2023 and accounted for 27% of funding. Consolidated borrowings expanded 26% to Rs. 22.52 billion as at the year-end underpinned by a 1.27 times expansion in bank overdrafts. Strategic efforts to secure inventories and the withdrawal of credit terms by foreign suppliers following the sovereign rating downgrade necessitated an increase in working capital financing.

Funding Composition



Working capital vs Net finance cost



SHAREHOLDER RETURNS

Despite the challenges that prevailed, the Group Earnings per Share amounted to Rs. 2.64 while the Dividend per Share reported is Rs. 1.19, compared to Rs. 1.20 the previous year. The Board recommended the payment of a final dividend of Rs. 0.44 per share, in addition to an interim dividend of Rs. 0.86 per share paid in March 2023. Resultantly, the total dividend per share amounted to Rs. 1.30 for the financial year 2022/23, with a total pay-out of Rs. 1.24 billion.

MANUFACTURED CAPITAL

Our Impulse Ice Cream Manufacturing plant in Seethawaka

"Our Manufactured Capital forms the backbone of our operations and ensured uninterrupted supply of products despite the challenging operating environment. Our manufacturing facilities enables the production of high-quality Beverages and Frozen Confectionery while the Supermarkets located across the island, facilitates greater customer reach with superior service."

Our contribution to the SDGs

KEY ELEMENTS OF OUR MANUFACTURED CAPITAL

Manufacturing Segment

- **3** manufacturing plants at Ranala, Kotagala and Seethawaka which manufacture a range of Beverages and Frozen Confectionery products

Supermarket Segment

- A Supermarket footprint of **131** stores
- **4** Concept stores
- State of the art distribution center

VALUE CREATED IN 2022/23

- Driving operational efficiencies across our manufacturing facilities
- Leveraged the digital infrastructure to facilitate efficient and effective management of our value chain, provide rich market insights and enhance the customer experience
- Enhanced customer experience by converting 3 of our stores to Concept stores with higher range in food and non-food category
- Enabled product availability with minimal stock outages despite the fuel shortages and disruptions to the supply chain during the first six months of the year

PLANS FOR 2023/24

- Continued emphasis on cost rationalization and driving operational efficiencies across our operations.
- Ongoing investments in digital infrastructure to drive further efficiencies and effective management of our value chain.
- Continued emphasis on providing our customers with an exciting shopping experience through our Supermarkets.

The Group's PPE (Property, Plant and Equipment) accounted for 38% of its total assets as at end-March 2023 and comprised primarily its manufacturing facilities, Supermarkets and warehouses. Given the macroeconomic challenges, cashflow challenges and subdued consumer demand, the Group curtailed its capital expenditure during the year. Consequently, capex was limited to Rs. 4,933 million and was directed towards the maintenance and upkeep of its Factories and increasing outlet counting Supermarkets.

DRIVING OPERATIONAL EFFICIENCIES ACROSS OUR MANUFACTURING FACILITIES

Given inflation driven escalations in costs, the Group placed strategic emphasis on enhancing operational efficiency across its manufacturing facilities. We critically evaluated our manufacturing processes during the year and implemented a range of process improvements that resulted in considerable cost savings and an increase in productivity. Strategic initiatives undertaken in this regard are given below.

Beverages

- Improved the PET line efficiency by improving the clean-in-place (CIP) process.
- Extended the continuous production of the PET line from 22 hours to 48 hours.
- Introduced the single piece cap to seal PET bottles.
- Improved machine efficiency through reduction in change-over time, CO_2 & syrup yield improvements and effective preventive maintenance strategy. Reduced the use of secondary packaging material.
- Increased the filler speed by 14 % for the 1L PET pack size.

Increased the quality of carbonation in the CSD range while lowering production costs

OEE (Overall Equipment Efficiency) of the PET bottle line increased from **82%** to **84%**

14% increase in the filling speed of **1L** pack size

Frozen Confectionery

- Ongoing implementation of Total Production Maintenance to optimize efficiency and effectiveness while reducing waste.
- Focus on implementation of TPM at the production plant in Seethawaka.
- The ongoing implementation of Autonomous Maintenance, Planned Maintenance and modules.
- The use of on time real time data analytics to identify locations of waste within the production process and carry out root cause analysis.
- Focused efforts to reduce electricity usage by optimizing its refrigeration methodology and the installation of solar panels.

Increased the efficiency of Cup and Cone line from **80%** to **83%.**

18% reduction in packing material waste.

MANUFACTURED CAPITAL

SUPERMARKET FOOTPRINT

Following the successful launch of its first Concept store at Lauries Road, the new iteration of its retail offering, last year, the Supermarket segment upgraded three existing outlets to Concept stores during the year under review. The Concept store offers consumers a unique retail experience through best-in-class retail technological solutions including "scan and go" technology and self-checkout options. The store also offers consumers a wider product range and new features that amplify the customer experience.

In efforts to reduce our carbon footprint, we installed solar panels at 12 additional outlets, increasing our solar power installed capacity by approximately 11.4 MW.

Concept store offering

Technology offerings	Scan and go technology
	Self-checkout capability
	Electronic price labelling
New features	Kafe - serving hot/cold beverages
	Chef's counter - serving ready to eat meals
	Make your own pizza counter

SUPPLY CHAIN INFRASTRUCTURE

The Supermarket segment's state-of-the-art Distribution Center completed its first year of operations during the year with strategic focus being placed on optimizing its management and maintenance to gain a competitive advantage. The 260,000 sq ft facility has centralised almost 90% of the Supermarket segment's offering across the dry, fresh and chilled categories with the exception of the frozen range. The Distribution Center also features a range of environmentally friendly design aspects which include solar power generation, rainwater harvesting and responsible water disposal. The facility played a critical role in managing inbound logistics during the fuel crisis and ensuring product availability across the supermarkets.

During the year, the Supermarket segment further strengthened its supply chain infrastructure through the construction of two new collection centers at Kappetipola and Nuwara Eliya increasing the total count to 11. The collection centers have been constructed, fit for purpose with a receiving and weighing area, mechanical washing facility for vegetables thereby minimising touchpoints and safeguarding hygiene, and a drying area among others.

Key features

- Modern racking system
- Floor levelling
- Automated packaging of vegetables
- Automated washing of crates
- Facilities for docking and storing chilled items

The collections centers have streamlined product distribution across the Supermarkets while improving the efficiency.

The Manufacturing segment established a milk collection center in Kotagala during the year to facilitate direct sourcing of fresh milk to produce frozen confectionery products. The collection center commenced operations in January 2023. Further, a redundant glass bottle manufacturing line was converted to a PET bottle manufacturing line which enhanced PET capacity.

DIGITAL INFRASTRUCTURE

The Group's digital infrastructure plays a pivotal role in driving operational efficiencies across the value chain while enhancing its customer experience at supermarkets. CCS Group invested Rs. 1,232 million during the year to develop its digital infrastructure. Key aspects of existing digital infrastructure and its capabilities are described below.

Capabilities		Developments during the year
Distributor Management System (SURGE)	Advancement of the usability of the system for effective distributor and sales force management by ensuring the intended value adds and features are rolled out according to the set digital strategy.	➤ Online real time approval of trade discounts. ➤ Digital field coaching for the Frozen Confectionery sales staff. ➤ Distributor P&L automation.
Keells Advanced Network Exchange (KANE)	Improved efficiencies in vendor management through the automation of routine processes while facilitating greater transparency in transactions real-time.	➤ Onboarded 326 vendors onto the platform.

Capabilities		Developments during the year
SAP EWM (Extendend Warehouse Management System)	In the Supermarket Sector, automation of all aspects of the Distribution Center operations enabling effective and efficient management of the supply chain.	➤ 95% of the Supermarket segment's suppliers have been integrated with the system.
Octave (Advanced Data Analytics)	Richer insights into customer preferences through advanced data analytics.	➤ Personalised promotions to customers, personalized and proactive interventions to retain customers and maintain loyalty, determining optimum order quantities at SKU and supplier level, real-time replenishment alerts to outlet staff based on analytics models at Keells Supermarkets. ➤ Improved effectiveness of the discounts offered to outlets, optimization of modern trade promotions and optimization of the distributor margins in the Manufacturing Sector.
Visual Merchandise Solution	More effective planning of Supermarket stores, including product placement, maximization of space utilisation, and more effective customer engagement.	
Keells Konnect app	Digital platform to facilitate greater employee engagement through the sharing of Supermarket promotions, staff discounts and communication.	➤ The app was extended to the entire staff of the JKH Group.
Digitalinvoice.lk	Enabled digital invoicing to the Supermarkets with the intention of minimizing the paper usage to reduce the cost factors while supporting the go green initiatives to save the environment.	➤ In response to the economic crisis. The long term plan is to reduce paper-based invoicing by 50% within the next 4 years.
Technology offering at Supermarkets – "Scan and Go" technology, self checkouts, restaurant management systems	Unique customer experience, increased convenience and reduced workload for staff.	➤ Implemented across 3 new outlets during the year.
BI Tools (Business Intelligence)	Data driven insights and more accurate sales predictions based on historical trends, and real time information.	➤ Upgraded during the year.

The Group has implemented necessary measures to address cyber security related risks. During the year, there were no substantiated complaints concerning breaches of customer privacy and losses of customer data.

WAY FORWARD

Manufacturing

- Continued emphasis on cost rationalization and driving operational efficiencies across our operations.
- Ongoing investments in digital infrastructure to drive further efficiencies and effective management of our value chain.
- Implementation of advanced data analytical projects with Octave to enhance efficiencies in product distribution.
- Diversification of the frozen confectionery category to manufacture a range of complementary products.

Supermarkets

- Increasing the customer reach and enhancing the retail shopping experience through the launch of more Concept stores.
- Continued investments in supply chain infrastructure.
- Increased investments in technological capabilities and the E-commerce platform.
- Increase solar power generation through the installation of more solar panels.

HUMAN CAPITAL

Our Supermarket Team

"Our team of 7,568 employees is the lifeblood of our organization and has been a critical factor in delivering resilience and continued customer value, despite the challenging macro-economic environment. We, in turn, continued to deliver on our People Promises, by nurturing deeper engagement, creating opportunities for growth and supporting our employees' physical and mental well-being through the economic crisis."

Our contribution to the SDGs

3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

KEY ELEMENTS OF OUR HUMAN CAPITAL

Manufacturing Segment

964 employees operating at our 3 manufacturing plants, the head office in Colombo and across our distribution network

Supermarket Segment

6,604 employees serve across our network of **131** Supermarkets, collection centers, warehouse and at the head office in Colombo.

VALUE CREATED IN 2022/23

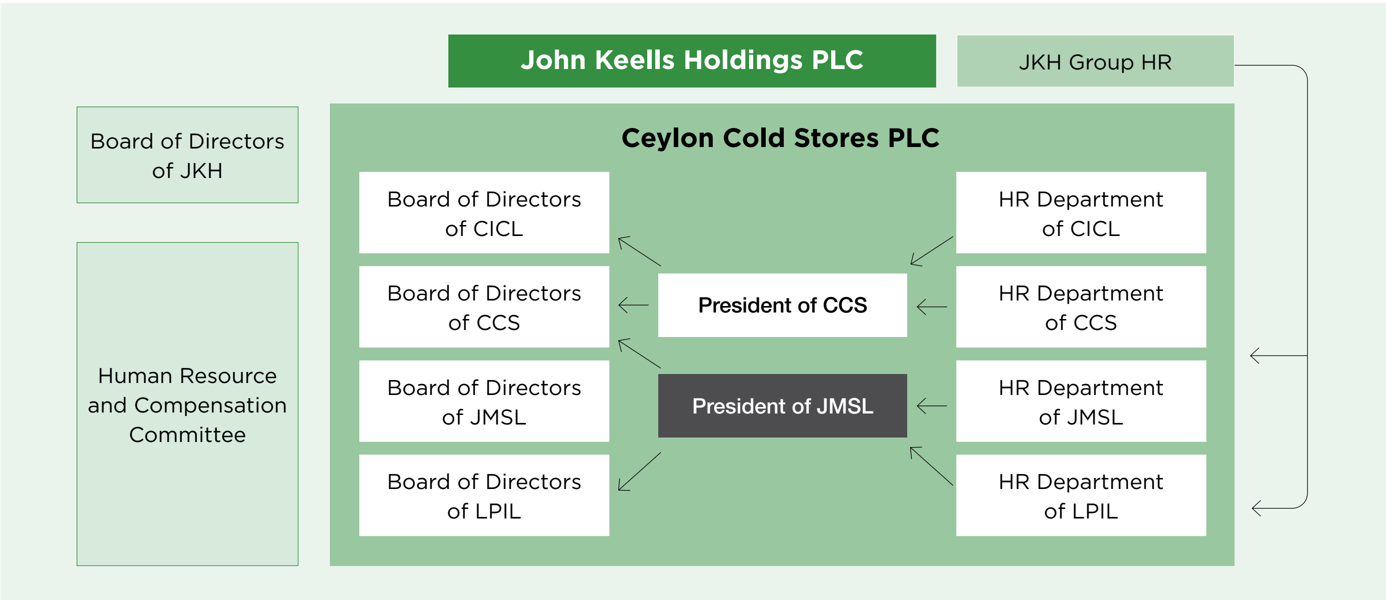
- Strengthening our recruitment strategy, employee engagement, training and development and career progression opportunities to attract and retain high performing employees.
- Supporting our employees through the economic crisis.
  Rs. 9,216 million (+25% Y-O-Y) payments to employees.
- Talent retention through the targeted development of high-potential employees for future leadership and business critical roles.
- Conducted the Great Place to Work survey to identify focal areas for human capital development.
- Safeguarding the physical and mental well-being of our employees
- Strategic focus on creating a diverse and gender equal workforce.

PLANS FOR 2023/24

- Strengthen our employer branding to attract, retain and engage high performing employees.
- Foster a corporate culture that is aligned with our core values.
- Continued emphasis on creating a diverse, equitable and inclusive workplace.
- Leveraging technology to obtain data driven insights on the Group's people management strategy.
- Ongoing emphasis on the physical and mental well-being of our employees.

GOVERNANCE STRUCTURE

CCS Group approach to managing its Human Capital is aligned with that of its parent entity, John Keells Holdings with consistencies in policy frameworks and procedures. Employee behaviour is guided by its Code of Conduct while CCS Group's commitment to its employees are articulated in its People Promises. The Group's HR governance structure is given below.



PEOPLE PROMISES

Manufacturing

1. A boss who helps me.
2. We live our values.
3. We promise exciting and rewarding jobs.
4. You can learn, grow and develop.
5. You can make a difference.

Supermarkets

1. A boss who helps me.
2. I can grow and develop.
3. I have a healthy workplace.
4. We live our values.
5. I have a future.

DEVELOPMENTS DURING THE YEAR

As part of the JKH Group, the CCS Group also revised its Paternity Leave policy. The new policy entitles all permanent and non-permanent employees (both executive and non-executive) to fully-paid paternity leave of up to 100 days within the first 200 working days of the birth or adoption of a child.

HUMAN CAPITAL

Team profile

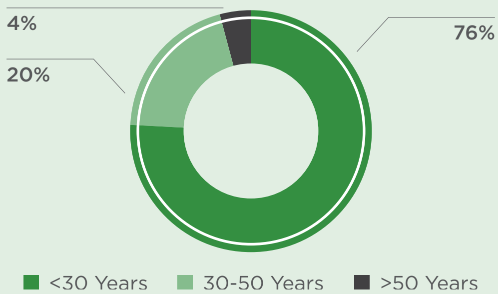
CCS Team

The CCS Group team comprises of 7,568 Employees with 55% employed on permanent contracts.

Trade union representation

98% of CCS's non-executive cadre at the Ranala factory are members of trade unions.

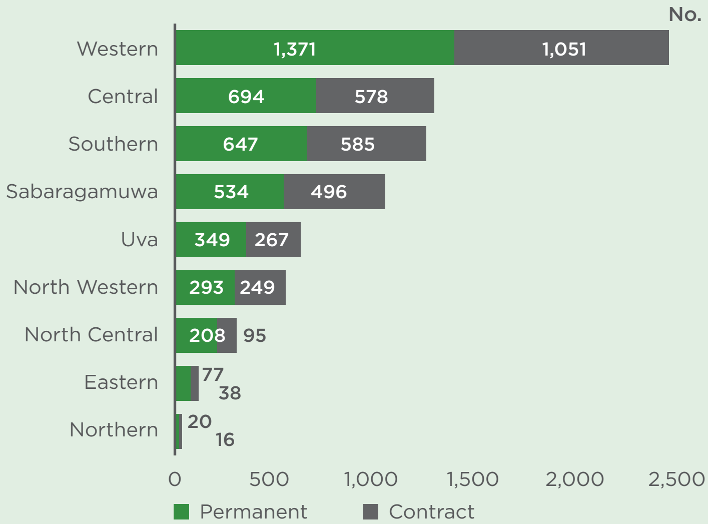
Age Diversity of the Team - CCS Group



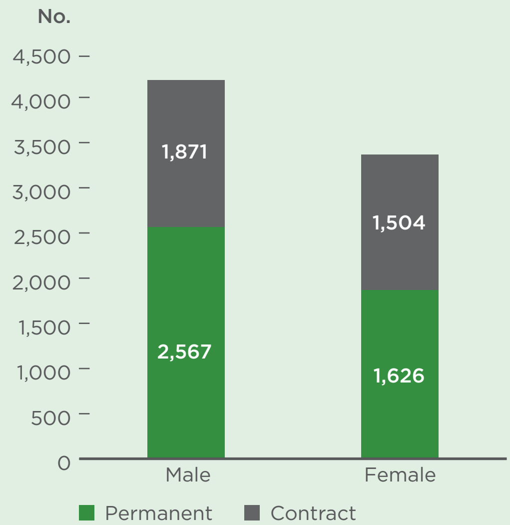
Regional distribution of the Team - CCS Group

The regional distribution of the Group's permanent and contract staff cadre is shown below.

Employees by Contract and Region



Employees by Contract and Gender - CCS Group



Diversity, equity and inclusion profile

41%
overall female representation in the workforce

By category	Male	Female	% of Female Employees
AVP* and above	30	7	19%
Managers	69	10	13%
Assistant Managers	159	36	18%
Executives	542	264	33%
Non-Executives	3,638	2,813	44%
Total	**4,438**	**3,130**	**41%**

**Assistant Vice President*

RECRUITMENT AND TURNOVER

Employee turnover increased during the year, reflective of the larger macro-economic trend of a high number of Sri Lankans migrating abroad. Accordingly, the Group placed strategic emphasis on strengthening talent acquisition through the "Skill Fit" Programme and partnerships with educational and professional institutions, to enable timely recruitment and minimize operational disruptions. The Group also strengthened employee engagement and development during the year to enhance motivation and retention.

The Group abstains from using child labour and forced labour in their operations.

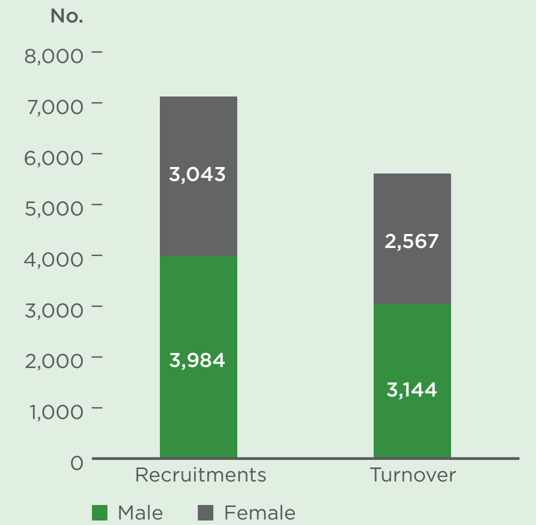
1.41 **1.41** Standard entry level wages by gender compared to local minimum wage

SKILL FIT PROGRAMME

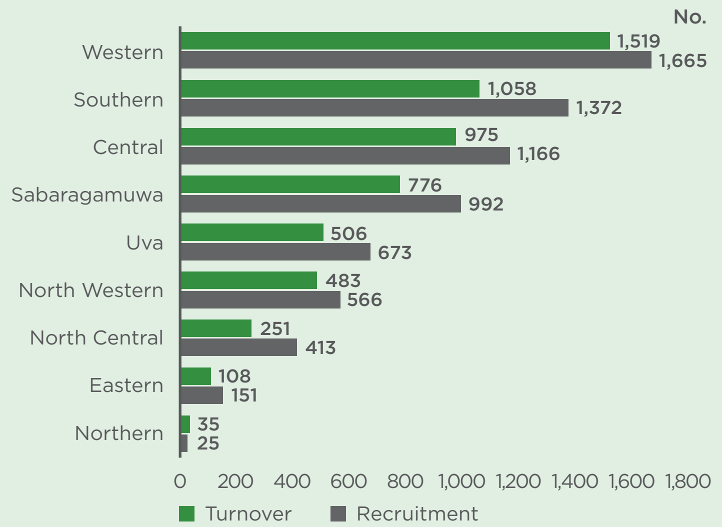
- Aimed at developing the capabilities required for entry level positions, the "Skill-Fit" programme offers a focused training programme to potential candidates to bridge gaps in competencies needed to assume roles in the Manufacturing Sector.

Our recruitment and turnover profile given below,

Recruitment and Turnover by Gender - CCS Group



Recruitment and Turnover by Region - CCS Group



Recruitment and turnover by age

By category	Recruitment	Turnover	Recruitment %	Turnover %
Under 30 years	6,369	4,905	91%	86%
30-50 years	592	642	8%	11%
Over 50 years	64	164	1%	3%

HUMAN CAPITAL

KEY PEOPLE STRATEGY INITIATIVES

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.

EMPLOYEE HEALTH AND SAFETY

CCS Group continued to place strategic emphasis on providing a safe and injury-free work environment for all its employees. The Group has implemented a comprehensive occupational health and safety framework guided by the ISO 45001:2018 Occupational Health and Safety Management System and comprises policies and safety standards to safeguard all employees from workplace hazards. These include,

- Periodic and systematic reviews of occupational health and safety risks and hazards.
- Safety committees comprising representatives from the workforce and management 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, 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 Supermarkets on a bi-annual basis.

Health and safety related benefits provided to employees include

- In-house Medical Center for employees at the Ranala factory.
- Annual health checkups for factory based employees.
- Medical insurance for all employees for both occupational and non-occupational health related concerns.

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

	Total
No. of occupational injuries and diseases	195
Total No. of lost days due to occupational injuries/diseases	750
Health and safety training hours	7,841

There were no work related ill health incidents reported during the year.

TRAINING AND DEVELOPMENT

CCS Group focused on training and development during the year, reiterating its people promise of growth and development while enhancing the competencies required to meet its strategic objectives. Training needs are formulated in consideration of the strategic objectives of the organization and skill gaps identified during the mid-year and year-end performance reviews of employees. Accordingly, training plans are developed for each employee which must be completed the following year. Training in the Supermarket segment is delivered primarily through its learning management system which comprises resources amounting to over 10,000 training hours per month.

COMPETENCY MAPPING – MANUFACTURING SEGMENT

- The Manufacturing segment carried out competency mapping for 90 sales employees, identifying key strengths and skill gaps. This will form the foundation for training and development plans going forward.

SUCCESSOR PROGRAMME – SUPERMARKET SEGMENT

- The Supermarket segment identified high potential employees who aspire to take on leadership roles and developed personalized growth plans to equip them with the skills required to reach their potential.

Training and development in the Supermarket and Manufacturing Sectors focused on the below areas during 2022/23.

Training programmes	
Supermarkets	Soft and Technical skills development programmes
Manufacturing	Soft skills development programmes
	iLearn - Digitalized Learning Management System
	LinkedIn Learning
	Field coaching
	Sessions on Manufacturing Excellence
	Personalised Training and Digitalization
	Advanced Data Analytics related use case implementation

Training record in 2022/23

Average training hours by category

Staff category	Total Head Count	Total Training Hours	Total Training Hours per Head
AVP* and above	37	220	6
Manager	79	866	11
Assistant Manager	195	2,319	12
Executive	806	14,794	18
Non-executive	6,451	136,211	21
Total	**7,568**	**154,410**	**20**

**Assistant Vice President*

INDUSTRIAL RELATIONS

CCS Group recognizes employees' right to freedom of association and collective bargaining with approximately 98% of its employees holding membership in trade unions to ensure collective bargaining and freedom of association The management maintains an open dialogue with trade unions and provides a reasonable amount of notice, prior to making operational changes. Cordial relations were maintained with unions during the year with no disputes recorded.

BENEFITS AND REMUNERATION

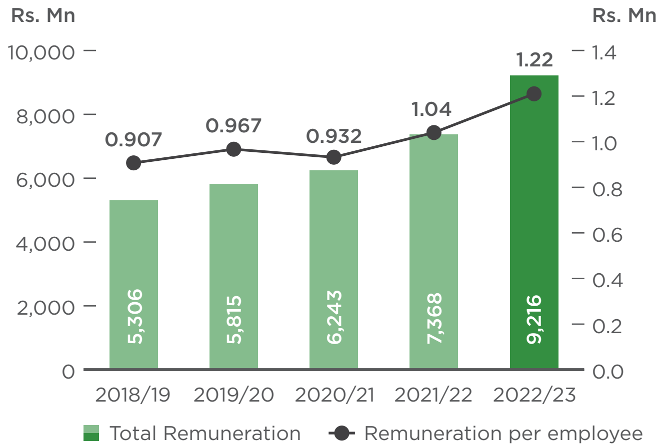
The Group's Remuneration Policy ensures a fair, unbiased and transparent reward system for employees, fostering a performance driven culture. Performance-related pay for executives are linked to annual performance reviews while remuneration of unionised employees are determined by collective agreements negotiated every three years. All permanent employees (49% of the total employees) received a performance appraisal during the year under review. In order to facilitate comparative compensation benchmarks, the Group conducted its periodic compensation and benefits survey through assigned third party external benchmarking consultant organisations.

The Group provides the following benefits to its full time employees

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

Contract staff enjoys same benefits except for annual bonuses & travelling allowance.

Employee Remuneration - CCS Group



HUMAN CAPITAL

SUPPORTING OUR EMPLOYEES THROUGH THE ECONOMIC CRISIS

In response to the economic crisis, Group extended additional benefits to its employees as relief measures during the year. These included,

Manufacturing

- Ex-gratia financial allowances paid to employees not governed by the collective agreement.
- Crisis allowance paid to employees excluding the employees governed by collective agreements.
- Expanded the welfare shop and provided additional provisions at concessionary rates.
- Implemented the "Sara Midula" programme which involved promoting home gardening among employees to address the food scarcity related concerns. A model garden was established at the Ranala factory premises, and employees were educated on home gardening practices. Seeds and compost were also provided to employees at concessionary rates.

Supermarket

- Crisis allowance and a one-off Ex-gratia financial allowance to reflect market conditions and heightened inflation.
- Provision of all three meals to outlet staff.
- Supported the mental well-being of employees through a partnership with Sumithrayo, providing employees with an avenue to deal with the mental stress of the economic crisis.
- Conducted numerous workshops, including ones on mental well- being and effective financial management among others.

DIVERSITY, EQUITY AND INCLUSION (DE&I)

The Group is conscious of the value created by a diverse workforce and has nurtured a culture of inclusivity and equity through its HR policies of equal opportunity, anti-sexual harassment and anti-discrimination. No incidents discrimination were reported during the year in review. We continued to build on the initiatives implemented last year under the Group's One JKH programme to promote Diversity, Equity and Inclusivity (DE&I) at the Group. These included,

Manufacturing

- Ongoing emphasis on increasing female participation in line with the One JKH targets on diversity, equity and inclusion. This involved short-listing at least one female for traditionally male denominated roles (provided there are female applicants) including engineering, IT and technical departments. Female staff were recruited for sales representative job roles in Frozen Confectionery category.
- Conducted the "She Thinks" Survey for all female employees and developed action plans based on the responses including women centric training.
- Providing a female friendly work environments, through the provision of a dry ration pack for pregnant mothers, gift pack for new born babies, subsidized day care facilities for children and the provision of hygiene products to female employees.
- Empowering women through the "Dinannee" programme which encourages women to join the Frozen Confectionery category as distributors, mobile unit operators, parlour operators and sales representatives.

Supermarkets

- Adhering to the One JKH targets on diversity, equity and inclusion.
- Ongoing monitoring of female representation within the workforce and directing recruitment accordingly.
- Identified roles where female representation has been low over the last 3 years with the aim of increasing female participation and career progression.
- We introduced the 'She Rises' - Quarterly Award, recognising outstanding female outlet employees, and the Keells Women's Day Magazine 2023, show-casing inspiring stories of women at Keells.
- Carried out Women's Day programme.
- Introduced a Women's rugby team.

DIVERSITY, EQUITY AND INCLUSION (DE&I) IN ACTION AT CCS GROUP

Conscious efforts to increase female representation in the IT department in the Supermarket Segment resulted in an increase in female participation by 35% over the 3-year period from 2020 to 2023. Increased female participation brought new thinking, strengthened collaboration, and improved inter-departmental coordination. Recognising their contribution towards the overall effectiveness and productivity of the unit, the department is now focused on training and developing its female employees to assume senior roles within the unit.

Diversity, Equity and Inclusivity Indicators

Female representation

41%
of Workforce

43%
of Recruitments

186 **Promotions – Female**
Female employees were promoted during the year

Female representation by category - CCS Group

By category	Male	Female	% of Female Employees
AVP and above	30	7	19%
Managers	69	10	14%
Assistant Managers	159	36	18%
Executives	542	264	33%
Non-Executives	3,638	2,813	44%
Total	**4,438**	**3,130**	**41%**

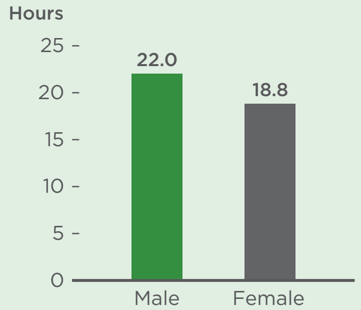
Assistant Vice President

Maternity leave and retention

68%
of female employees retained after one year since taking maternity leave

85%
of female employees returned to work after maternity leave

Training Hours per Employee by Gender - CCS Group



	Number	% of Female Workforce
Maternity leave availed	40	1.3
Returned to work after maternity leave	34	1.1
Resignations after maternity leave	6	0.2
Retained within the organization after 12 months since taking maternity leave	27	0.9

HUMAN CAPITAL

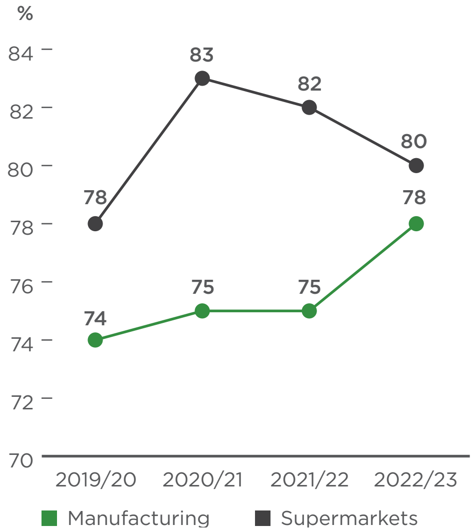
EMPLOYEE ENGAGEMENT

CCS Group continued to invest considerable resources and efforts to assess the quality of its relationship with its employees both quantitatively and qualitatively. Numerous methods have been implemented to provide opportunities for employee engagement. Employee satisfaction has been consistently high over the years, as demonstrated in the satisfaction scores given alongside.

EMPLOYEE ENGAGEMENT METHODS

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

Trends in Employee Satisfaction



Great Place to Work

CCS Group conducted the Great Place to Work survey during the year. Conscious efforts to enhance employee satisfaction.

	Manufacturing	Supermarkets
2022/23	78%	80%
2021/22	75%	82%

First Harvesting Programme of Manufacturing Sector-Sara Midula

CCS Group also implemented a year-round activity calendar to team building and align its corporate culture with its core values of caring, integrity, trust, innovation and excellence and foster employee engagement. Some of the activities carried out during the year are given below.

Manufacturing Sector Cricket Fiesta Winners

INTERVENTIONS

A multitude of interventions were carried out during the year aimed at engaging employees and their families. These included,

- Annual Sector get-together
- Lantern competition
- Cricket fiesta
- Year-end party
- New year celebrations

LIVING VALUES PROGRAMME

The Manufacturing segment continued to recognize and appreciate employees that demonstrated the core values of CCS through programmes that included,

- Cheer the Peers
- Values related musical event – 'Hithanna Hithamu'

WOMEN'S DAY PROGRAMME

In accordance with CCS Diversity, Equity and Inclusion (DE&I) focus, the Manufacturing Sector carried out a Women's Day programme themed #EmbraceEquity. The programme focused on fostering a collaborative work environment for women that is fair, impartial and free of discrimination.

WAY FORWARD

Manufacturing

- Strengthen employer branding to attract, retain and engage high performing employees.
- Foster a corporate culture that is aligned with our core values.
- Improve recognition of high performing employees through awards and reward schemes.
- Increased emphasis on its Diversity, Equity and Inclusion (DE&I) strategy to increase female representation by 2028, in line with the JKH Group's diversity and inclusion agenda.
- Leverage technology to implement an HR Dashboard and provide data driven insights on the Group's people management strategy.

Supermarkets

- A more decentralized approach is needed for managing 6,500 plus employees effectively.
- Continued emphasis on the well-being of employees.
- Focus on DE&I initiatives.

INTELLECTUAL CAPITAL

Research and Development Lab of Beverage Manufacturing Facility - Ranala

"Our Intellectual Capital is fundamental to driving innovation and effectively responding to emerging customer needs. Comprising the value of our brands, unparalleled recipe library, research and development capabilities and organisational tacit knowledge, it has enabled us to maintain our competitive edge and market position amidst intensifying competition."

Our contribution to the SDGs

KEY ELEMENTS OF OUR INTELLECTUAL CAPITAL

Manufacturing Segment

- **Brands** - Elephant House, IMORICH, Twistee, Fito, Wonder, Feelgood
- **Recipe Library**
- **R&D capabilities**

Supermarket Segment

- **Brand** – Keells
- **Nexus** – Loyalty scheme offered to shoppers at Supermarkets.

VALUE CREATED IN 2022/23

The Manufacturing segment continued to maintain its market share in both Beverages and Frozen Confectionery categories.

The Supermarket Segment strengthened its market position during the year.

We continued to enhance the top-of-the-mind recall of our brands in both Manufacturing and Supermarket segments through consumer-centric activations.

Elephant House – Rs. 13,050 million brand value – the 13th most valuable brand in Sri Lanka (Brand Finance, 2022).

Keells – Rs. 27,916 million brand value – Strongest Brand and Most Valuable Supermarket Brand in Sri Lanka 2022. (Brand Finance, 2022)

Enhanced customer experience by converting 3 of our stores to Concept stores with higher range in food and non-food category

New product development

- Launch of 7 new products in the Frozen Confectionery segment.
- Launch of seasonal limited edition products – Apple Pop and Kiwi Pop in the Beverage category, Kulfi, Ramadan date cup and winter slices in frozen confectionery category.

PLANS FOR 2023/24

- Leverage deep market insights and our research and development capabilities to develop new products that cater to the customers' evolving and diverse needs.
- Continued emphasis on strengthening our brand engagement through relevant customer activations.
- Leverage advance data analytics to offer a superior value proposition to customers in the Supermarket Segment, and increase the distribution and sale effeciency Manufacturing Sector.

BRANDS

The 'Elephant House' brand, one of Sri Lanka's most loved brands continued to deliver a competitive advantage to the Group, enabling the retention of its market position despite the presence of competing global and domestic brands. The Group also continued to nurture its newer brands, Fit-O and IMORICH, in line with its strategy of broadening its non-CSD product range. While the Group leveraged a range of platforms to build its brands during the year including traditional marketing campaigns and digital platforms, emphasis was placed on increasing trade visibility at Small and Medium Modern Trade (SMMT) outlets. Some of the key brand activations carried out during the year are presented below.

Activations

- Emphasis on expanding the SMMT base through trade discounts and loyalty schemes.
- Seasonal digital campaign for Soda, featuring popular local music artistes titled "Getting home safely for a better tomorrow". The campaign received over 1 million views on social media and was shared organically.
- Fully fledged campaign to promote the launch of the 250ml PET Beverage in traditional media, point of sales and town storming campaigns.
- Display warrior – Increase trade visibility of our products through dedicated sales windows/display areas at supermarkets.
- Cream Soda – Sponsorship of "The Voice Sri Lanka" and "Derana Dream Star".
- Elephant House Super Heroes – In collaboration with Dialog, this campaign supported the talents and innovative ideas of children in the rural areas, with respect to sports, fine arts and sustainability.

Results

+16.1%
in the brand value of Elephant House

Gained a double digit market share in the 250ml beverage segment

>1 million
views of the Soda campaign

INTELLECTUAL CAPITAL

In the Supermarket segment, Keells emerged the Strongest Brand in the country with a 17% increase in brand value. Keells also retained its position as the Most Valuable Supermarket Brand in Sri Lanka for the 4th consecutive year. During the year, the segment launched a brand building campaign celebrating the resilience of the nation in overcoming the macro-economic challenges. The campaign titled "The little things we do can make a big difference" also highlighted its own efforts in easing the burden of its customers.

'Nexus', the Supermarket segment's loyalty scheme continued to play an important role in retaining customers during the year. The scheme operates with over 2 million memberships and offers members exclusive promotions and the opportunity to earn points that can be redeemed against future purchases. Approximately 80% of daily footfall at Supermarket stores hold Nexus membership.

+17% in brand value

Strongest Brand* and Most Valuable Supermarket Brand* in Sri Lanka.

**Brand Finance, 2022*

Nexus Mobile
Pulse of your Lifestyle

13th most valuable brand in Sri Lanka
(Brand Finance, 2022)

RESEARCH AND DEVELOPMENT CAPABILITIES

The Manufacturing segment's research and development capabilities have played an integral role in the delivery of its customer promise of choice, through new product development. Its R&D capabilities have enabled the development of a diverse beverage and frozen confectionery product portfolio that has evolved to reflect shifts in customer preferences. The process of developing a new product is described briefly alongside.

New product development process

1. **Market insights** Market insights from a multitude of stakeholders including customers, flavour houses, ingredient suppliers and research agencies.
2. Develop a product pipeline.
3. **Oversight by the NPD team.** A cross functional team that oversees all aspects of the development process.
4. Development of prototypes
5. Conduct focus group studies.
6. Reformulate based on feedback.
7. Commercialisation

RECIPE LIBRARY

The Manufacturing segment has gradually evolved its Beverage and Frozen Confectionery product portfolio to offer an array of products that cater to the diverse needs of consumers across different occasions. Deep market insights, research capabilities and its unique tacit knowledge has aided the development of new products that meet shifts in consumer needs thereby enabling CCS to retain its competitive edge despite changing consumer needs and intensifying competition.

Our product portfolio

Beverages

- Carbonated Soft Drinks (CSD)
- Water
- Fruit Drinks
- Fruit Flavoured Tea
- Flavoured Milk
- Standardized Milk

Frozen Confectionery

- Bulk
- Cups
- Sticks
- Cones
- Bites
- Frozen Yoghurt

Innovation timeline

2018/19

Introduced,

- Sugar free range of CSDs
- Flavoured milk
- Bottled water
- New flavours for sticks and cones (Wonder Berry, Major Max, Chock Shock, Cream Soda)

2019/20

Introduced,

- The kids range for sticks
- 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)
- IMORICH ice cream range (Salted Caramel)
- IMORICH cone range (Blueberry Cheesecake, Almond Crunch)
- 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 Cone Multi packs
- 2 bar variants (Vanilla and Mixed Fruit)

2022/23

Introduced,

- 250ml PET packs for beverages
- Ice cubes
- Reformulated Fit-O, the fruit juice line in taste and texture.
- Launch of 2 seasonal limited edition beverage flavours – Apple Pop and Kiwi Pop, 3 limited edition products in frozen confectionery - Mixed Fruit Ice Cream, Date & Kulfi Ice Cream cups.

WAY FORWARD

Manufacturing

- Leverage deep market insights and our research and development capabilities to develop new products that cater to customers' evolving and diverse needs.
- Continued emphasis on strengthening our brand engagement through relevant customer activations.

Supermarkets

- Continued emphasis on strengthening our brand engagement through relevant customer activations.
- Leverage data analytical capabilities to offer a superior value proposition to customers.

SOCIAL AND RELATIONSHIP CAPITAL

Collaborative Partnership with Our Farmers

"The pursuance of deeper and more collaborative partnerships with our suppliers, distributors, customers and the communities we operate in, enabled greater resilience given unprecedented challenges while creating mutual value and strengthening our social license to operate."

Our contribution to the SDGs

KEY ELEMENTS OF OUR SOCIAL AND RELATIONSHIP CAPITAL

Manufacturing Segment

- **1,226** Suppliers
- **7,298** Farmers
- **208** Distributors

Supermarket Segment

- **1,305** Suppliers
- **52** Private Label Manufacturers
- **268** GAP Certified Farmers
- **39** GMP Certified Suppliers
- **1,967** Farmers

VALUE CREATED IN 2022/23

Customer value creation

- Delivered on our customer promises with increased emphasis on affordability and value-for-money propositions.
- Enhanced the customer shopping experience through the addition of **3** Concept stores.
- Product innovation – **7** new products introduced in the Frozen Confectionery category while the Fit-O beverage range was re-formulated to enhance the taste and texture.

Resilient value chains

- **Rs. 106,993 million** payments to local suppliers
- Successful completion of the "Govi Diriya" programme – winner of the Chamber of Commerce Sustainability Award in 2022.
- Collaborative partnership with value chain partners to overcome the challenges posed by the economic crisis.

Empowering communities

- Crowd funded initiatives to facilitate more impactful community upliftment programmes.
- **Rs. 49 million** invested in CSR activities.
- **Over 1.1 million** benefited through our CSR programmes.

PLANS FOR 2023/24

- Deliver on our customer promises with increased emphasis on affordability and value-for-money propositions.
- Foster deeper collaborative partnerships with value chain partners to drive mutual value creation.
- Continued investment in relevant and impactful community development programmes.

Weathering the challenges stemming from the operating environment necessitated deeper and more collaborative partnerships with our value chain partners. Proactive engagement with all stakeholders across our value chain ensured relevance in addressing their unique needs while facilitating mutual value creation.

Suppliers including farmers

Impacted by,

- Supply disruptions due to the fuel crisis and power shortages.
- Sharp depreciation of the Sri Lankan Rupee.
- Surging inflation.
- High cost of borrowings given the spike in interest rates.
- Drop in crop yields given the shortage of fertiliser.
- Implications of climate change.

Distributors

Impacted by,

- Disruptions to distribution capabilities given the fuel crisis.
- Liquidity crunch along the value chain.
- Interest rate increases and electricity rate hikes.
- Inflationary pressures

Customers

Impacted by,

- Inflation and a decline in disposable income due to tax increases.
- Increased emphasis on safety, convenience, and accessibility.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER RELATIONSHIPS

Our multi-faceted value proposition to customers is clearly articulated through our Customer Promises which have been tailored to each segment to reflect the nature of the relevant industries. Value creation during the year was aimed at addressing the critical needs of our customers in light of the pressures stemming from the macro-economy, in alignment with these promises.

Manufacturing Sector

Manufacturing Customer Promises

1 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.

2 We promise to deliver choice
We continue to evolve our product portfolio in both Beverages and Frozen Confectionery segments, aligned with shifts in consumer needs.

3 We promise to deliver products at the right price
Despite escalations in costs, we strived to make our products affordable to the increasingly price conscious consumer.

4 We promise to make our products accessible and available
Our products are distributed to over 100,000 retailers island wide through 208 distributors.

Progress made during the year

#1
- ISO 9001:2015 and ISO 22000:2018 certification for the water plant at Kotagala.
- Initiation of Halal certification for Fit-O, the fruit juice range.
- SLS 971: 1992 for Elephant house branded tube Ice.

#2
- Reformulation of the taste and texture of Fit-O, in line with customer feedback.
- Launch of 7 new products by the Frozen Confectionery category.
- Introduction of dry range products including waffle cones by the Frozen Confectionery category.
- Launch of 2 seasonal limited edition flavours – Apple pop and Kiwi pop – by the Beverage category.
- Launch of 3 seasonal limited edition products – kulfi cup, ramadan date cup and winter slices – by Frozen Confectionery category

#3
- While we were compelled to increase prices, cost increase were not fully passed on to customers, given the prevailing macro-economic stress and impact on affordability.
- Introduction of a 250ml PET bottle for the CSD range increasing affordability.

#4
- Despite the fuel crisis and supply chain disruptions, we leveraged our value chain partnerships and IT infrastructure to ensure the availabilty of our products across the country.

Supermarket Sector

Customer Profile: Customers that patronize our retail stores.

1 Enjoyable shopping

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

2 I can get what I want

Our stores feature adequate space and the right range of products and pack sizes.

3 Freshness

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

4 Offers and deals

We strive to provide a world class shopping experience to our customers with innovative products and experiences

5 Staff is great

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

6 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 specially, our own branded products.

Supermarket Customer Promises

Progress made during the year

#1

- Conversion of three existing stores to Concept stores, the new iteration in retail experience launched in 2021/22

#2

- Ensured product availability despite disruptions to the supply chain, aided by distribution efficiencies enabled by its state-of-the-art Distribution Center.
- Establishment of 2 new collection centers in Kappetipola and Adikarigama to facilitate the more efficient distribution of products to supermarkets.

#3

- Direct sourcing of fresh produce from farmers through our collection centers.
- Establishment of 2 new seasonal collection centers in Kudaoya and Adikarigama, to capitalize on the availability of fresh produce.
- Sourced high quality fresh produce from farmers participating in the "Govi Diriya" programme.
- Leveraged the state-of-the-art technology at its new Distribution Center to ensure freshness of all products.

#4

Staying relevant to our customers' need for affordabilty was a key strategic focus during the year and this was actioned through,

- Direct import of selected essential items which were offered at the lowest price in the market.
- Expanded the 'imperfect line' (fresh produce that do not meet visual quality guidelines) at a relatively lower price point.
- Launched an affordable bakery and hot food range.
- Ensured private label brands were priced 10% lower than on product sold at our outlets.
- Introduced small pack sizes to increase affordabilty.
- 'Vasi malla', a bundled offering of essential items.

#5

- Ongoing training of staff – 5,640 employees trained on customer service during the year.
- Supported the mental and physical well-being of our employees through the economic crisis, enabling them to focus on addressing our customers' needs.

#6

- Widened our private label range with the additon of 29 product lines adding up to 288 products in total from 52 suppliers.

SOCIAL AND RELATIONSHIP CAPITAL

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 aspects of products.

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 Compliance Manager has been assigned to address any complaints. 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 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 marketing and labelling aspects of products.

CHANNEL PARTNERS

Our channel partners comprise the Manufacturing Sector's extensive network of 208 distributors, who facilitate our customer reach through the distribution of our products across the country. Our distributor network was considerably impacted by fuel crisis, increase in electricity rates, operational cost increases due to inflationary impact, working capital challenges due to interest rate hikes and the liquidity crunch across the value chain. In response, the Group implemented numerous measures to support their commercial viability while ensuring the continued distribution of its products. Key initiatives are given below.

FROZEN CONFECTIONERY

- Consolidated our distributor network by assigning rights to supply both bulk and impulse products to all distributors and reducing their geographic responsibility. This was significant given the tilt in the sales mix towards the Impulse range and increasing in distribution cost.

99%
Distributor Retention Rate

5
New re-distributor operations added

BEVERAGES

- Proactive monitoring of our distributors' financial position and extending support on a case-by-case basis through deeper trade discounts, extensions in credit periods to assist working capital management and increases in distributor margins to compensation for increases in VAT and electricity tariffs.
- Strategic emphasis on increasing trade visibility through dedicated display windows at supermarkets.
- Emphasis on expanding our reach across small and medium modern trade outlets through loyalty schemes.
- Advanced data analytical insights to improve distributor efficiency and earnings

Increased the SMMT base to
1,100

Increased the visibility of our products at
15,000 groceries

Our channel partner strategy is supported by Surge, our Distributor Management System which has enabled considerable efficiencies through the addition of controls and monitoring modules, stronger analytical capabilities, real time performance dashboards and a range of other value-added features. The introduction of real-time approval of trade discounts to distributors and the tracking of coaching activities implemented for frozen confectionery distributors continued to add value to our partnership with distributors.

"Dinannee" Programme

The manufacturing Sector, under the Frozen Confectionery category, launched women's empowerment programme - Dinannee. The Dinannee initiative was introduced to empower women across the country to encourage their economic contribution to society, promoting their sense of self-worth, ability to determine their own choices, and right to influence social change for themselves and others. In addition, the programme provides job opportunities to women who contribute directly or indirectly to the ice cream operation through selling & distribution or by sourcing products required for ice cream production and selling functions. The programme expanded its reach to the outskirts of Colombo, Gampaha, Kalutara, Ambalangoda, Kandy, Kegalle, and Polonnaruwa with one distributor, 11 push carts, 5 parlour outlets, 3 parlour trucks.

SUPPLIERS

Manufacturing

Effective management of our supply chain was critical, particularly during the first half of the year, given disruptions to supply chains owing to the fuel crisis, import restrictions, shortage in foreign exchange, rising prices and drop in crop yields given limited availability of fertiliser. The Manufacturing Sector engages with 1,226 suppliers, including 7,298 individual farmers from whom we procure a range of agricultural inputs. During the year, we placed strategic emphasis on maintaining proactive engagement with all our suppliers to ensure an uninterrupted supply of raw materials thereby ensuring continued value creation.

Key developments during the year

- Ongoing efforts to diversify our supplier base, in number and geographic distribution, to address the supply vulnerabilities experienced during the pandemic.
- Facilitated the commercial viability of our suppliers through,
  - Early payments and shorter credit periods for cashflow management,
  - Long-term contracts to provide price stability and assured volumes.
  - Essential price hikes to maintain profitability.
- Safeguarded our farmer communities by procuring agricultural inputs at pre-agreed quantities and prices.
- Developed a new treacle supplier and assisted them in obtaining ISO and GMP certification.
- Supplied excess stocks of agricultural inputs to local industries, supporting them in sourcing raw materials during the crisis.
- Continued emphasis on developing our fresh milk suppliers.
- Opened a milk collection center in Kotagala where milk is collected from 41 farmers. Farmer development initiatives are also carried out in parallel.

SOCIAL AND RELATIONSHIP CAPITAL

Value created for local farmers through the procurement of agricultural inputs are given below.

Input material	Supplier base	Value created through procurement	
		Volume (KG/Litres)	Rs. Million
Ginger	**227** suppliers	20,044	24.2
Vanilla	**2,056** farmers through Kandy Vanilla Growers Association and farmers islandwide	61	3.6
Kithul Jaggery	**285** farmers through Krushi Swayan Rekiya Samithiya and Self Employment Society of Nuwara Eliya	32,186	29.8
Treacle	**200** farmers from Waralla and Deniyaya	102,675	31.8
Cashew nuts	**1,330** farmers Wanathawilluwa, Galewella, Adiyagama, Chilaw, Serukele and processed in Kuliyapitiya and Ja-Ela	53,025	257.6
Fresh milk	**3,200** farmers from Kappetipola, Bogawanthalawa, Dickoya, Gampaha	6,432,154	1,134.9

Supermarket Sector

The Supermarket Sector was similarly impacted by the disruptions in the supply chains given the economic crisis. Import restrictions and shortages in foreign exchange posed challenges in ensuring the availability of its imported product range while the restrictions on imports of agri-inputs, high costs post currency devaluation and a drop in agricultural yields impacted the uninterrupted supply of fresh produce. In this backdrop, the Supermarket segment implemented several unique initiatives with the aim of facilitating uninterrupted supply while supporting the long term development of its suppliers.

Key developments during the year

- Successfully completed the "Govi Diriya" project – A farmer capacity development programme providing drip-irrigation, insect-proof nets and productivity enhancement tools in partnership with the Ministry of Agriculture and Smallholder Agribusiness Partnership Program.
- Continued emphasis on sourcing fresh produce directly from farmers through the establishment of two new seasonal collection centers at Kudaoya and Adikarigama and commencement of own collection center in Nuwara Eliya.
- Leveraged the Keells Advance Network Exchange (KANE) to effectively collaborate with suppliers. 326 suppliers were onboarded during the year with full completion expected by 2023/24.
- Ongoing digitization 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.
- Provided fertiliser and agro-chemicals at concessionary to 200 farmers in partnership with MDF thus ensuring continuity in livelihoods
- 85 training programmes covering 1,338 farmers on sustainable agriculture practices.
- Reduced the inbound transport costs of suppliers by centralizing over 90% of the Supermarket offering at the new Distribution Center.
- Initiated the export of fresh produce to the Maldives and UAE and supply of produce to local hotels ensuring farmers continued to have a stable market for their produce.

Sample of 2% of the Group's suppliers were screened using environmental and social criteria during the year. No significant negative social impacts were noted in the supply chain during the year.

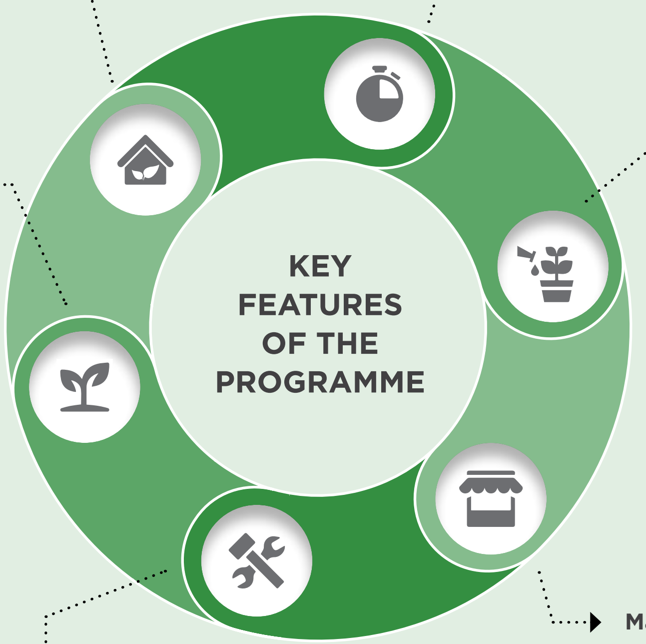
Both the Manufacturing and Supermarket segments explored avenues to develop local suppliers engaged in import substitution industries. To this end,

- The Supermarket segment partnered with 1,245 local suppliers to source refrigerators for its supermarkets going forward.
- During the year under review, the proportion of spending on local suppliers by CCS, amounted to 15.6 Bn.

"Govi Diriya" Programme

The Supermarket segment successfully completed the "Govi Diriya" programme - a farmer development programme carried out in partnership with the Ministry of Agriculture and Smallholder Agribusiness. The programmed was aimed at building capacity, providing technology and propagating sound agriculture practices among our farmers, enabling us to provide fresh produce to our customers.

+390	40%	>10%
Farmers participated.	Below the age of 40 promoting youth	Female participation promoting women



Greenhouses

Supported the establishment of 25 greenhouses.

Training

Ongoing training on sustainable agriculture practices and the use of new technology.

Sustainable agriculture

- Provided insect proof nets to minimise insect damage thereby reducing dependency on chemical pesticides.
- Introduced poly mulching for weed control and minimize dependency on chemical weedicides.

Sustainable irrigation solutions

Introduced drip irrigation to mitigate exposure to fluctuations in water availability and reduce water consumption.

Equipment

Provision of equipment (machinery for nursery tray transplanters, row seeders) and input material for planning of seeds.

Market access and certification

- Facilitated market access and financial literacy.
- Facilitated Good Agricultural Practices (GAP) certification assuring only the appropriate usage of agro-chemicals.

>200	20%	70%	60%	
Farmers applied for GMP certification	Increase in yields	Reduction in agrochemical related costs	Reductions in water usage	Winner of the Chamber of Commerce Sustainability Award

SOCIAL AND RELATIONSHIP CAPITAL

INDUSTRY PARTNERSHIPS

Through its memberships in Industry associations, CCS Group collaborates with a multitude of external institutions on issues and concerns that impact the advancement of the industry. The Group is also keen to empower the youth of the nation by leveraging its unique organizational knowledge base in the Supermarket industry. In this regard, we developed a retail management module for undergraduate studies through our partnership with the University of Kelaniya and the top 10 students were selected to be mentored by our leadership team. We also engaged with NAITA in training programmes that suited the operations of our Manufacturing segment.

Industry Associations in which CCS 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

CCS Group's CSR agenda for the year was aimed at addressing food scarcity related issues in communities most affected by the economic crisis. Both Manufacturing and Supermarket segments-initiated school food programmes, which involved the provision of meals to school children so that they could continue their education uninterrupted. The Supermarket segment initiated several donation-based, community crowd-funded initiatives for vulnerable communities that not only increased the potential for funding but also raised awareness and public engagement enabling a more positive impact.

Gunadamin Pasal Diriya initiative

Launched by the Manufacturing Sector, this initiative entailed the provision of a daily meal to children at the Ranala Adarsha Kanishta Vidyalaya, which is located in close proximity to the Elephant House factory in Ranala. To this end, CCS constructed a kitchen within the school premises, in collaboration with the John Keells Foundation, and provided 600 nutritious meals daily to school children, with menu specifications being in line with the Government School Meal Programme under the Ministry of Education. The programme commenced in August 2022 and will continue for a period of 1 year.

Rs. 10 million	550	32,010
Invested	Children assisted	Meals provided

"A Nutritious Tomorrow for Our Little Ones"

The Supermarket Sector launched "A Nutritious Tomorrow for Our Little Ones", a crowd-funded initiative to provide 100,000 nutritious meals to pre-school children between the ages of 2.5-5 years of age. We partnered with Sarvodaya to establish community kitchens at selected pre-schools. A mini-garden plot was also set up where possible to facilitate sustainable sourcing of nutritious produce. The Supermarket Sector donated 1 meal for every 5 meals bought by customers up to a minimum of 20,000 meals. Partnerships were extended to include Thuru, Ceylon Agri, Digital Content, Nations Trust Bank, Meththa America to facilitate greater awareness and engagement.

"A Nutritious Tomorrow for Our Little Ones" by Supermarket Sector

995	26	49,578
Children assisted	Pre-schools	Meals provided

"Together for a Better Tomorrow"

Considering the onset of the economic crisis and the impact on the wider communities the Supermarket Sector launched a crowd funded community outreach program. Cards priced at Rs. 1,500 were sold at the POS and online for customers to contribute whilst the business made a contribution of 1 for every 9 sold to customers. This card was worth a pack of essentials consisting of rice, sugar, dhal, tea and soya meat which was distributed across various districts to vulnerable families and individuals. The support of the respective Grama Niladhari, Midwife or Samurdi Coordinator was obtained to select beneficiaries. This program had the supports of Sri Lanka Unites, Voice for the Voiceless and Meda Mawatha to reach out to communities whilst many other organizations like BDO - Assurance partner, NTB Amex - Bank partner and Colombo Tuskers Round Table (CTRT8) - Advocacy partner supported the cause.

"Together for a Better Tomorrow" by Supermarket Sector

25,000 CSR Beneficiaries

"Say No to Food Waste"

Considering the food scarcity concerns faced by vulnerable communities, this program which was set up 5+ years ago was ramped up to support as many beneficiaries as possible. This initiative operates with the collaboration of over 45+ charities who support to donate excess unsold fresh produce from over 100 stores to over 5,000 individuals on a monthly basis. Last year we also began to donate excess unsold meals from our hot food counters further strengthening our commitment to reduce waste and re-purpose this to support vulnerable communities.

WAY FORWARD

Manufacturing

- Increased emphasis on delivering on our customer promise of products at the right price at the right place.
- Strengthen our relationships with channel partners and suppliers, proactively addressing issues and concerns and thereby driving mutual value creation.
- Minimise the impact of exchange rate volatility and ensure the continuity of supply of inputs by entering into forward contracts with key suppliers.
- Supplier audits to ensure raw materials supplied, complies with our stringent quality specifications.
- Ongoing engagement in community development programmes.

Supermarkets

- Providing customers with an enjoyable shopping experience with increased emphasis on delivering on our customer promises of 'Money's Worth' and 'Offers and Deals'.
- Foster deeper collaborative partnerships with supply partners to drive mutual value creation.
- Implement relevant and impactful community upliftment programmes.

NATURAL CAPITAL

Manufacturing Sector, "Senehesara" Panadura Beach Clean up with University of Sri Jayewardenepura

"The Group relies on natural capital inputs; water, energy and raw materials. We are cognizant of the interrelationship between our business operations and the environment and are committed to building a more sustainable business and reducing our environmental footprint."

Our contribution to the SDGs

7 AFFORDABLE AND CLEAN ENERGY | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND

KEY ELEMENTS OF OUR NATURAL CAPITAL

Inputs

- **18,159 MT** of raw material consumed
- **300,225 GJ** Energy consumption
- **693,914 M³** Water consumption

Outputs

- **48,378 tCO2e** total carbon footprint
- **153,651 M³** of effluents
- **4,232 MT** of solid waste

Raw materials | Energy | Water — Supermarkets / Manufacturing

Total carbon footprint | Effluents | Solid waste — Supermarkets / Manufacturing

VALUE CREATED IN 2022/23

- Strategic emphasis on enhancing energy efficiency in our Manufacturing and Supermarket operations and increasing renewable energy generation through the installation of solar panels.

- Concerted efforts to increase the re-cycling of plastic waste while reducing plastic/polythene usage across our operations.
  - **311 Mt (+1,006% Y-O-Y)** of plastic waste collected for recycling.
  - **35%** reduction in single use polythene bags.

- Propagating sustainable water consumption across our own operations as well as among our farmer community through the "Govi Diriya" programme.

PLANS FOR 2023/24

- Continued emphasis on driving process innovation to increase energy efficiency and increase the generation of renewable energy.
- Concerted efforts to reduce the use of plastic/polythene across our operations.
- Increase the re-cycling of PET plastic to 20% of sales and expand into the re-cycling of other forms of waste material.

OUR ENVIRONMENTAL COMMITMENT

As a business dependent on agricultural inputs, we are deeply aware of the implications of climate change on our supply chains including vagaries of weather patterns that lead to crop failure, supply deficits and declining yields in our agricultural inputs. We are conscious of our role in addressing environmental risks particularly related to energy efficiency and minimization of plastic/polythene directed toward landfills and strive to enhance our impact through greater community engagement and awareness.

Our approach to managing our environmental impacts is guided by the JKH Group's Environmental Policy which includes robust mechanisms to measure environmental impacts such as energy consumption, energy intensity, water intensity and quality and quantity of effluents and waste. During the year, there were no fines or penalties imposed on the Group for non-compliance with environmental regulations and laws.

Impact on our operations

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

Key environmental impacts

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

Our priorities

- Reducing our carbon footprint through solar power generation.
- Reducing polythene/recycling of plastic.
- Water efficiency.

Our approach

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

MATERIALS

The Group's Manufacturing segment consumes a range of agricultural raw materials which include sugar, fresh milk, vanilla and ginger. Packaging materials are also a key input and comprise primarily of PET bottles, plastic cups, plastic containers and corrugated boxes. We are acutely aware of the adverse environmental implications arising from packing material and have continued to implement several initiatives to reduce its consumption as described under Circularity and Waste management. During the year no recycled input material were used in its Manufacturing and Supermarket operations. The Group collected 16% of PET sales. Our consumption of raw materials during the year is given alongside.

Type of material	2022/23
Renewable materials	
Fresh Milk (Litres)	6,432,154
SMP (Kgs)	1,080,968
Sugar (Kgs)	7,104,630
Vegetable Fat (Kgs)	1,653,727
Whey Powder (Kgs)	225,411
Non-renewable materials	
Plastic – PET (BT)	62,043,360
Plastic – Containers (PC)	13,514,087
Corrugated boxes (NO/PC)	4,693,794

NATURAL CAPITAL

CLIMATE ACTION

Our impact on climate change stems primarily from the consumption of energy across our Manufacturing and Supermarket operations. Our primary sources of energy are electricity, LP gas, diesel, petrol and furnace oil. We are committed to reducing our dependency on fossil fuel based energy sources through increased investments in solar energy and increasing the energy efficiency of our operations and thereby reducing our net carbon footprint over the long term.

To this end, the Group initiated new measures alongside existing initiatives to reduce its energy consumption while increasing energy efficiency. These include,

- Installation of solar panels at 12 outlets increasing the solar power generation capacity by 1.6 MW.

94 outlets (72%)	12 outlets in 2022/23	1.6 MW	11.4 MW	45,107 GJ
Equipped to generate solar power	Installed solar panels	Capacity installed in 2022/23	Total installed capacity	Solar power generated per year

- Critical evaluation of manufacturing operations to identify and eliminate energy intensive, non-essential processes.
- Strategic emphasis on increasing energy efficiency across its operations.
- Enhance monitoring of energy consumption across Supermarkets.
- Renewable energy generation through the roof solar systems at the Ranala factory.
- Optimising energy efficiency at supermarkets through the 100% LED lighting solutions.
- Use of energy efficient manufacturing technology in the Manufacturing segment's operations.

618 GJ

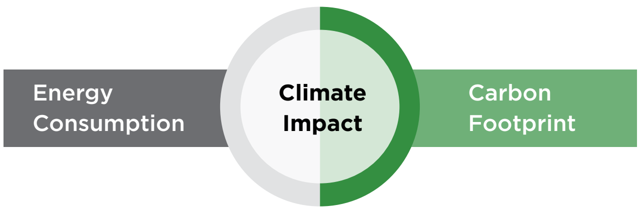
Solar power generated per year at the CCS Ranala factory

Monitoring of energy consumption at Supermarkets

- Total energy consumption at our supermarkets is monitored remotely in real-time as well as on a daily, weekly and monthly basis.
- Power analysers were installed at energy intensive operations including refrigeration, bakery and hot kitchen, and air-conditioning enabling the monitoring of energy consumed by each specific operation.
- Dashboards are utilized to compare actual consumption against the standard to identify deviations permitting the implementation of remedial action on an ongoing basis resulting in the more efficient consumption of energy.

The Group's consumption of electricity declined 6% during the year reflective of the power cuts imposed by the CEB to address shortages in national electricity generation and the Group's own concerted efforts to increase energy efficiency. Consequently, CCS energy consumption tilted towards direct energy, with an 19% increase in diesel consumption, reflective of its increased reliance on diesel to power its generators. LPG consumption also increased 20% during the year owing to increased demand for prepared food from Supermarkets given the shortage of cooking gas in the market and closure of eateries. LPG usage in the Manufacturing segment also increased led by volume expansions in cone ice creams and strategic emphasis on the dry product range.

Reflective of the trends in energy consumption, the Group's total carbon footprint declined by 5%.



The composition of CCS GHG emissions tilted towards Scope 1 emissions reflecting the Group's increased reliance on diesel for energy generation during the power cuts. The Group's energy consumption and carbon footprint results are presented below. The Group computes its carbon footprint based on the GHG Protocol published by the World Resources Institute.

Energy Consumption	Units	2022/23	2021/22	Y-o-y change
Energy by type				
Renewable energy	kwh	12,701,350	11,376,222	12%
Non-renewable energy	kwh	63,168,340	68,058,308	(7)%
Direct energy consumption				
Diesel	Litres	1,572,423	1,316,825	19%
Furnace oil	Litres	429,207	388,552	10%
LPG	kg	260,846	214,257	22%
Indirect energy consumption				
Purchased from CEB	kwh	49,447,389	51,966,111	(5)%
Purchased from LECO	kwh	13,720,942	16,092,197	(15)%
Energy intensity (Manufacturing)	GJ/1,000 Ltrs	1.026	1.019	1%
Energy intensity (Supermarkets)	GJ/1,000 Ltrs	0.131	0.146	(10)%

Carbon Footprint	Units	2022/23	2021/22	Y-o-y change
Scope 1 GHG emissions	tCO2e	5,323	4,523	18%
Scope 2 GHG emissions	tCO2e	43,056	46,389	(7)%
Total emissions	tCO2e	48,372	50,911	(5)%
Scope 3 GHG emissions	tCO2e	9,793	5,921	65%
Ozone depleting substances	Mt	8,385	6,592	(21)%
Emission intensity - Manufacturing	tCO2e/1,000 Litres	0.157	0.163	(4)%
Emission intensity - Supermarkets	GJ/Sqft	21.69	24.63	(12)%

The Group only considers emissions generated from product distribution, product re-distribution and business air travel activities under Scope 3 GHG emissions. No substantial air emissions in the form of Nitrogen Oxides (NOx), Sulphur Oxides (SOx), and other hazardous air emissions were detected.

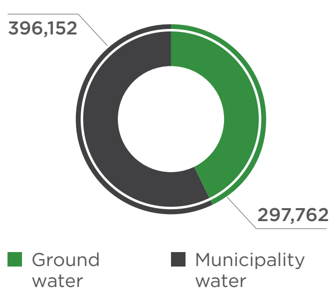
WATER AND EFFLUENTS

Water consumption is primarily by the Manufacturing Sector where water is an input in the production process. CCS Group water requirements are fulfilled through both ground water and municipal line sources. We conduct regular pumping tests in the deep wells, in accordance with regulatory requirements, to ensure that water levels in neighbouring communities are not impacted by our operations. Meanwhile, used water is discharged following treatment at a state-of-the-art sewerage system plant with water quality indicators consistently maintained within the regulatory parameters. The Group has the following initiatives in place to enhance water efficiency,

- Raising employee awareness of the importance of water conservation.
- Raising awareness of the use of sustainable water practices among our farming community through the "Govi Diriya" programme – the implementation of drip irrigation resulted in 60% - 70% reduction in water consumption by our farming partners.

According to the Food and Agriculture Organisation, Sri Lanka's water withdrawal is 90.79% and is therefore, classified as a water stressed country.

Water Withdrawal by Source



Water Withdrawal (M^3)	2022/23	2021/22	Y-o-y change
Ground water	297,762	298,256	0%
Municipality water	396,152	374,916	6%
Total water	693,914	673,172	3%
Water intensity-Manufacturing (Litres/1000 litres)	4,081	4,304	(5)%
Water intensity-Supermarkets (Litres/Sqft)	0.20	0.19	4%

NATURAL CAPITAL

EFFLUENT DISCHARGE

The effluents generated from our Manufacturing operations are treated at a state-of-the-art effluent treatment plant prior to discharge. During the year under review, the capacity of the effluent treatment plant was expanded by approximately 30% (250m^3). CCS Group monitors water quality indicators on an ongoing basis and consistently maintains them within the regulatory parameters prescribed by the Central Environmental Authority.

Water discharge (M3)	2022/23	2021/22	Y-o-y %
Water discharge by destination			
Municipality sewerage, drainage	212,262	182,940	16%
ETPs and Recycled	311	278	12%
To rivers, lakes after being treated	141,779	134,895	5%
Direct to rivers, lakes, wetlands, marshes	17,017	15,459	10%
Ground through soakage pits	167,675	161,794	4%
Provided to another organisation	7,307	7,756	(6)%
Total water discharge	546,350	503,122	9%

CIRCULARITY AND WASTE MANAGEMENT

We are cognizant of the environmental implications of our plastic-based packaging materials in the Manufacturing segment and single-use polythene in the Supermarket segment and have strived to reduce its consumption over the years. In alignment with our aspiration of reducing landfill waste, we launched several initiatives that reduced our own consumption of packing materials while driving greater public engagement in reducing and recycling plastic and polythene waste.

Manufacturing Sector

- Expanding the Group's plastic re-cycling initiative (see details below).
- Conscious efforts to promote the use of re-usable glass bottles among consumers. **Glass bottle usage increased from 13% to 14% during the year under review.**
- Critically evaluated our processes to identify opportunities to reduce the consumption and wastage of packaging materials.
- Introduction of the single-piece cap for our beverages thereby enhancing the recyclability of our bottle caps.
- Raising awareness of the environmental repercussions of plastic usage.
- Use of paper-based packaging for our wellness range in Frozen Confectionery.

Supermarket Sector

- Ongoing initiatives to reduce polythene usage in supermarkets.
- Increasing the 'Bring your own bag' rebate to Rs. 6/- from Rs. 4/-.
- Use of compostable bags for top crust bread.
- Use of compostable bags in fresh, meat and fish counters.
- Use of paper straws at juice counters.
- Extending the 'Bring your own bag' concept for bakery products.
- Discontinuation of the sale of plastic cups/plastic straws at outlets.

Waste type and disposable method	2022/23	2021/22	Y-o-y %
Waste diverted from disposal (kg)			
Composting	-	-	-
Recycling	1,380,343	732,265	89%
On-site storage	-	-	-
Waste directed to disposal (kg)	2,851,579	4,168,622	(32)%

Elephant House - Gunadamin – Plastic Recycling Initiative

During the year under review, the Group expanded its plastic recycling initiative, in line with its Extended Producer Responsibility, a voluntary initiative implemented by the Central Environmental Authority and the Environment Ministry which requires producers to collect 16% of its sales of PET and High Intensity Polystyrene.

Winner of the JKH Chairman's Award

311 Mt Collections in 2022/23

9.3 Mn Bottles

30.9 Mt Collections in 2021/22

Waste Collection

Material Recovery Facilities (MRF)

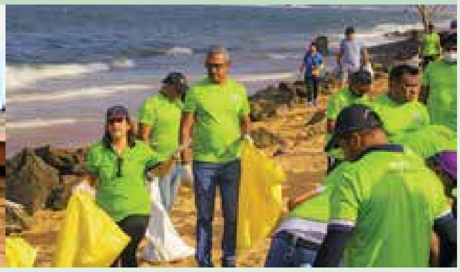
Re-cycling

Up-cycling

Waste collection

Clean up events were organized at involving the community at a multitude of locations.

- Crow Island
- Sri Padaya
- Thewaththa church
- Katharagama perahara
- Mihinthalaya
- Kandy perahara
- Panadura beach
- Arugam bay beach
- Daily cleaning through our partnerships
- 165 collection bins in the Colombo District



Up-cycling | The re-cycled output is then up-cycled in the manufacture of cleaning equipment and clothing.

Material Recovery Facilities (MRF)

4 MRFs were established during the year with a total capacity of **50 MT** per month

- Kandy
- Wattala
- Chilaw
- Anuradhapura

Partnerships that drive our recycling aspirations

WAY FORWARD

In line with the environmental aspirations of the John Keells Holdings Group, CCS Group has formulated long-term goals for reducing its environmental impact, including intensity of energy, water and emissions by 2025.

Manufacturing

- Concerted efforts to drive energy and water efficiency across the manufacturing process.
- Increase the re-cycling of plastic to 20% of sales and expand into re-cycling of other forms of waste material.
- 200 bins are planned to be placed across the island and 8 MRF centers will be opened.

Supermarkets

- Continued investments in converting energy generation at supermarkets to solar power.
- Increased engagement with customers to reduce the use of polythene/plastic at our outlets.

WAY FORWARD

While the country made progress towards a potential resolution to the economic crisis, uncertainties persist as debt restructuring remains to be completed. However, we are cautiously optimistic that political stability and support from the IMF will lead to improved economic prospects in the coming year and the normalising of consumption patterns in the medium to long term. In view of this, our strategic priorities over the short and medium-to-long term are given below.

Manufacturing

Short term

- Evolving our product portfolio to meet emerging needs of consumers.
- Driving operational efficiency and productivity to rationalise costs.
- Leverage digital platforms and analytical projects to enhance efficiencies in product distribution for Beverages and Frozen Confectionery.
- Continued focus on supporting the top of mind recall for all key brands.

Medium to long term

- Diversification of our product portfolio in Beverages and Frozen Confectionery category through expansion into complementary products.
- Ongoing focus on leveraging investments in digital technology and data analytics to drive operational efficiencies and support decision making.
- Expand our export markets.

Supermarkets

Short term

- Effectively responding to emerging needs of consumers by leveraging data-driven market insights.
- Continued expansion of our geographic footprint via multiple formats that cater to requirements of each community
- Leverage digital platforms and data analytics to enhance personalised customer engagement.

Medium to long term

- Ongoing focus on enhancing the customer experience at retail stores through unique, customer-centric offerings.
- Leverage data analytics to gain insights into consumer preferences and support decision making.
- Ongoing emphasis on minimizing our environmental impacts.

CAPITAL CONNECTIVITY AND TRADE-OFFS

To achieve our strategic aspirations, our value transformation process is designed to convert one capital input into value across all capitals. This requires a deep understanding of the inter-relationships among our capital inputs, how it affects our ability to create value for our stakeholders and the effective management of capital trade-offs, balancing short-term losses for long-term gains.

	Trade-off	Financial	Manufactured	Human	Intellectual	Social & Relationship	Natural
Sustainable growth	Emphasis on driving operational efficiency at our production facilities leads to improved productivity and cost rationalization, thereby strengthening financial capital.	↑	↑				↑
	Short-term impact on financial capital arising from investments in technology, supply chain infrastructure, outlet expansion, new product development and strategic market activations for new products and brand building.	↓	↑		↑	↑	
	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 address increased customer concerns on affordability.	↓				↑	
	Investments in supply chain infrastructure and relationships to ensure the availability of products.	↓				↑	
Empowered team	Financial outlays to support employees through the economic crisis and in their health and well-being.	↓		↑			
	Significant investments in employee training and development, engagement and motivation to enhance employee retention, provide growth opportunities and retain organisational tacit knowledge.	↓		↑	↑		
	Improved customer relationships arising from better service, particularly in our Supermarkets			↑		↑	
Managing our value chain	Strengthening value chain partnerships leads to improved availability of products and increased supply chain efficiencies, thereby enhancing profitability in the long term.	↑				↑	
	Capacity building, financial assistance through flexible trade terms, and leveraged technology to support suppliers, distributors, and retail partners across our value chain.	↓				↑	
Sustainable organisation	Despite the initial financial investment, efforts to drive energy and emission efficiency is expected to build organisational resilience over the long-term.	↓					↑
	Drive more meaningful community relationships through Investments in strategic CSR efforts that address critical social issues.	↓				↑	
	Ongoing emphasis on reducing our environmental footprint through investments in renewable energy generation, plastic recycling, consumption reduction and increasing energy efficiency among others, is expected to lead to stronger customer relationships given customers' increasing propensity towards sustainability.	↑				↑	↑
	Propagate sustainable agriculture practices among our farmers and out growers	↑				↑	↑

ENTERPRISE GOVERNANCE

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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.

Visit www.elephanthouse.lk for detailed discussion of Corporate Governance Commentary.

EXECUTIVE SUMMARY

The John Keells Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, predictable and sustainable manner. The Group's corporate governance philosophy is institutionalised across all its business units, and it is this philosophy that has continuously created value for all its stakeholders, notwithstanding the external environment and macro conditions.

Ceylon Cold Stores PLC (CCS) and its subsidiaries (collectively CCS Group) has its own set of internal policies, processes and structures towards meeting 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 practices, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation and transparency.

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

Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No. 07 of 2007 and regulations	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions - fully compliant
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars	Mandatory provisions - fully compliant
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	Mandatory provisions - fully compliant
Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - compliant with the 2017 Code to the extent of business exigency and as required by the CCS Group

KEY INTERNAL POLICIES

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies on diversity, equity and inclusion including gender
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection
- Disciplinary procedure

- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and forex risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group sustainability environmental and economic policies
- Whistle-blower policy
- Policies on energy, emissions, water and waste management
- Policies on products and services
- Policy on bidding for contracts, including on government contracts.

KEY GOVERNANCE HIGHLIGHTS FOR 2022/23

- JKH Group was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the third 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 100 companies listed on the Colombo Stock Exchange, under four different thematic areas crucial to fighting and preventing corruption:
  - Reporting on anti-corruption programmes,
  - Transparency in company holdings,
  - Disclosure of key financial information in domestic operations and,
  - Disclosure on gender and non-discrimination policies.
- During the year, the Group conducted the 'Great Place To Work '(GPTW) survey among all its employees. GPTW is conducted by the Great Place To Work Institute and seeks to provide a comprehensive insight into how employees perceive the culture, structure, and management of an organisation, among others. The feedback received from this exercise will be used towards crafting a better and more cohesive workplace, which will in turn drive productivity across the Group.
- As a part of the JKH Group's ongoing efforts towards increasing emphasis on Environmental, Social and Governance (ESG) aspects, the Group, in liaison with a third-party consultant, embarked on formulating the Group's ESG framework, setting group wide ESG ambitions and translating such ambitions to ESG related targets.
- Select Group policies related to ESG areas were further enhanced in line with best practice advocated by internationally reputed institutions such as the Asian Development Bank and International Finance Corporation, particularly given their focus on development impacts and positive externalities.
- In November 2022, the JKH Group recorded the Policy for bidding on contracts and tenders, which entails a standardised set of guidelines for bidding, including to those of local and foreign governments and related bodies.

Policy for bidding on contracts and tenders

- The Policy for bidding on contracts and tenders, is a step towards promoting organisational transparency and consistent organisational behaviour. Whilst Group companies are required to adhere to local statutory provisions and Government procurement guidelines and meet the requirements stipulated in the request for proposal/ guidance notes specified in the contracts/ tenders, the policy also requires the bidding entity within the Group to adhere to all Group policies including the Code of Conduct, anti-corruption, anti-bribery and anti-money laundering and gift policies.
- This policy applies to all Group companies and, as applicable, to consultants, agents, representatives, and supply chain partners.

- During the year under review, the Group further strengthened its Policy on gifts and entertainment to include a reporting and monitoring mechanism for all gifts or benefits received or given. Accordingly, all gifts or benefits of a threshold of value above USD 50 per gift if given or received, based on business exigencies, are monitored to ensure conformance with the Group's policies. Such exceptions are required to be reported to the respective Finance Head of the business, where in turn, these are collated and monitored centrally.
- The following key initiatives and targets were rolled-out, in furtherance of the Group's emphasis on creating an inclusive, diverse and equitable work environment.

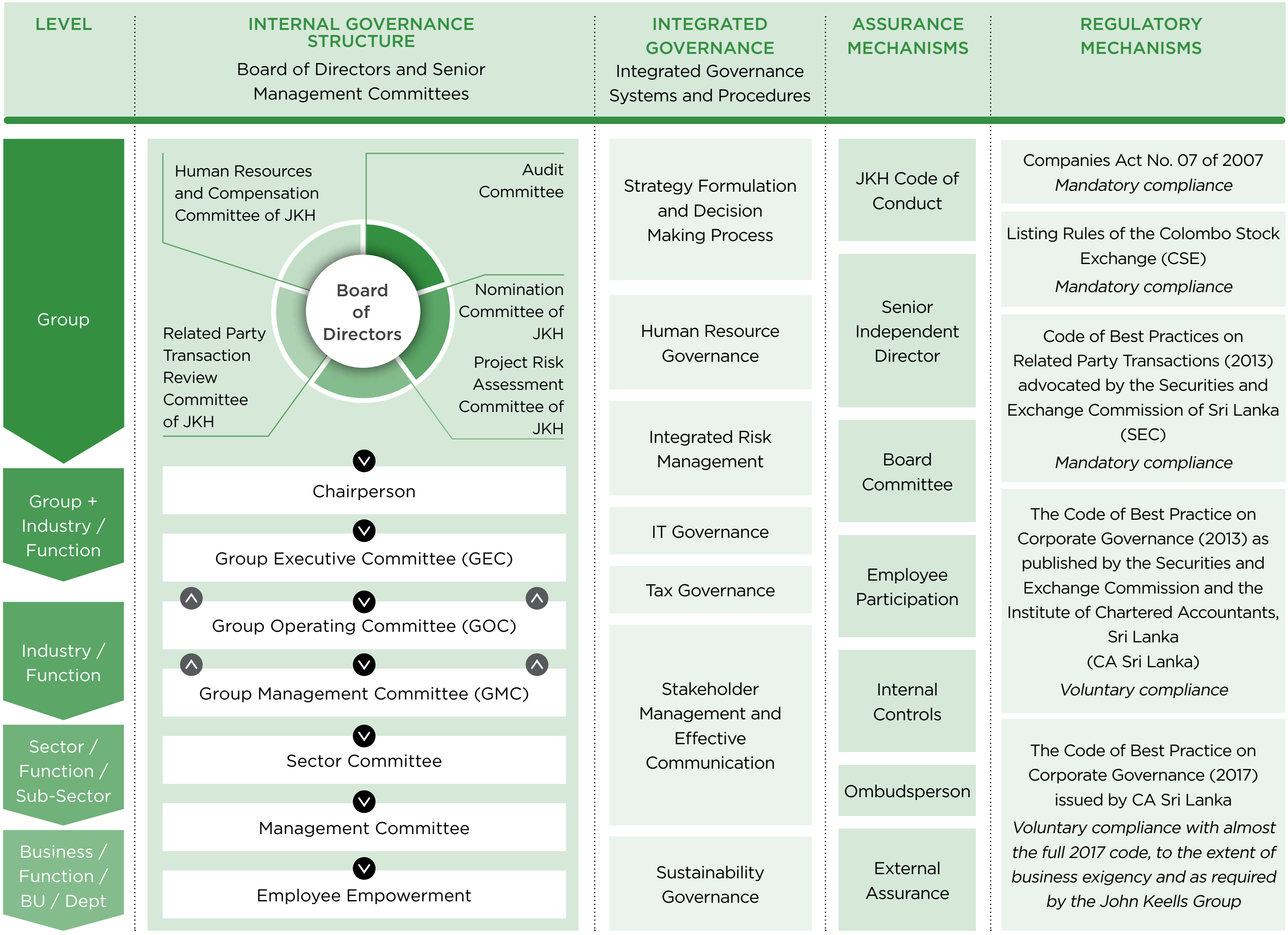
CORPORATE GOVERNANCE COMMENTARY

  - The Group introduced an equal 100 days of maternity and paternity days as parental leave at the birth or adoption of a child. In this regard, while the Group will continue to offer 100 days of maternity leave on the birth or adoption of a child, the five-days of paternity leave was enhanced to 100 days, ensuring equity, and recognising the importance of both parents' roles in early childcare.
  - As noted in previous Annual Reports, the Group has set a goal of increasing women participation by 2025/26. In the CCS Group women participation as at the end of the year stood at 41% [2021/22: 44%].
  - The Group also introduced the use of gender-neutral terminology with the objective of avoiding word choices which may be interpreted as biased, discriminatory or demeaning and with the intention of being inclusive of gender non-binary persons.
  - As a first step to developing the new strategy to increase career opportunities for persons with disabilities (PWDs), a tri-lingual survey to understand the needs and perceptions of PWDs was launched. This was one aspect of a structured phased-out roadmap, which includes identifying roles across the Group's industry groups and sectors, that can be performed by PWDs with reasonable accommodation, the appointment of supported employment officers, and conducting job mapping and awareness sessions by industry experts.
- The Group continued focus on its Fraud Deterrent and Investigation Framework which enables an integrated platform for handling all aspects of fraud and stakeholder assurance. This framework reinforces uniformity across common processes, employs a data driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds.
- The Group continued to strengthen its IT governance framework through the adoption of a Zero Trust Policy Framework effective from 1st April 2022, including a hybrid cloud infrastructure, and implemented Smart Office platform across the group.
- Given the significant macroeconomic challenges and developments prevalent in the country, the Board of Directors and the Group Executive Committee (GEC) frequently deliberated and evaluated the resilience of the Group under multiple stress-tested scenarios.
  - Cognisant of the economic hardships faced by the Group employees on account of rising prices and the scarcity of essential items, Group provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022.
  - A monthly temporary crisis allowance was introduced to all JKH Group employees with effect from January 2023, to assist in mitigating the impacts of the rapidly elevated cost of living, impacts of taxes and high inflationary environment, among others.
  - A set of initiatives and programmes in the form of non-financial and indirect financial support were rolled-out. These included awareness sessions and webinars on managing personal finances in the current economic climate, emotional support with counsellors and employee supplier catalogues to name a few.
- The CCS Board declared a final dividend of Rs. 0.33 per share in June 2022 for the financial year 2021/22. For the year under review, the Board declared an interim dividend of Rs. 0.86 per share in March 2023. A final dividend of Rs. 0.44 per share has been declared by the Board in May 2023, to be paid in June 2023.

THE CORPORATE GOVERNANCE SYSTEM

The diagram below illustrates the key components of the Corporate Governance System of the CCS Group. It depicts the internal governance structure, from the Board of Directors cascading down to employee level, the integrated governance systems and procedures within the Group, the Assurance Mechanisms in place and the various regulatory frameworks the Group is compliant with from a Governance standpoint.

A detailed discussion of each of the components shown below is found on the CCS corporate website.



- 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

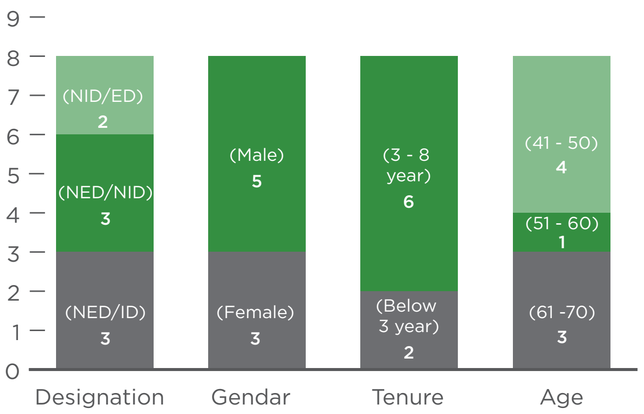
BOARD OF DIRECTORS

Board Composition

As of 31st March 2023, 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.

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



The Board having noted that Dr. (Ms) R. S. W. Wijeratnam has attained the age of 70 years and retire 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

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

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

The CCS Group is also conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in order to ensure that the skills representation is in alignment with current and future needs of the Group.

Profiles of the Board of Directors

Profile of the Board of Directors is provided under the Board of Directors section of the Annual Report.

Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen the decision making, the Board is encouraged 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 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 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.

Managing Conflicts of Interests and Ensuring Independence

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	Once Appointed	During Board Meetings
➤ Nominees are requested to make known their various interests	➤ Directors obtain Board clearance prior to: ➤ Accepting a new position. ➤ Engaging in any transaction that could create or potentially create a conflict of interest. ➤ All NEDs are required to notify the Chairperson of any changes to their current Board representations or interests and a new declaration is made annually.	➤ Directors who have an interest in a matter under discussion: ➤ Excuse themselves from deliberations on the subject matter. ➤ Abstain from voting on the subject matter (abstention from decisions is duly minuted).

The independence of all its Non-Executive Independent Directors was reviewed on the basis of criteria summarised 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, as defined
3. Income/non-cash benefit equivalent to 20% of the Director's income	NED/ID income/cash benefits are less than 20% of individual Director's income
4. Employment at CCS Group and/or material business relationship with CCS Group, currently or in the two 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 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 has served on the Board for more than nine years
7. Is employed, has a material business relationship and/or significant shareholding in other companies*. 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, 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.*

None of the above Non-Executive Independent Director has a conflict of interest as per the criteria for independence outlined above.

CORPORATE GOVERNANCE COMMENTARY

Board 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.

The attendance at the Board meetings held during the financial year 2022/23 is given below

Name	Year of Appointment	29.04.2022	15.07.2022	21.10.2022	27.01.2023	Eligibility	Attended
Non-Executive Non-Independent							
Mr. K N J Balendra – Chairperson	2018	√	√	X	√	4	3
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	√	√	√	√	4	4
Ms. S T Ratwatte	2016	√	√	√	√	4	4
Dr. (Ms.) R S W Wijeratnam	2016	√	√	√	√	4	4

BOARD SUB-COMMITTEES

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

The five 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

Audit Committee

No of meetings – Four (04) (meetings were held on a quarterly basis)

Composition	Scope
➤ All members to be NED/IDs, with at least one member having significant, recent, and relevant financial management and accounting experience and a professional accounting qualification. ➤ The Sector Presidents, Sector Chief Financial Officers and Head of Group Business Process Review of JKH are permanent invitees for all Committee meetings.	➤ Review the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations. ➤ Assess the adequacy and effectiveness of the internal control environment in the CCS Group and ensure appropriate action is taken on the recommendation of the internal auditors. ➤ Evaluate the competence and effectiveness of the risk management systems of the CCS Group and ensure the robustness and effectiveness in monitoring and controlling risks. ➤ Review the adequacy and effectiveness of the internal audit arrangements. ➤ Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

The CCS Group's Audit Committee comprise three (3) NED/IDs where one of them has current membership of a reputed accountancy body. The CCS Group's Audit Committee had four (4) meetings on a quarterly basis during the year and attendance of the Audit Committee members are indicated in the Audit Committee Report.

The Audit Committee consisted of the following members as of 31st March 2023

1. Ms. S T Ratwatte - Chairperson
2. Mr. M Hamza
3. Dr. (Ms.) R S W Wijeratnam

Report of the Audit Committee

Refer Audit Committee Report section of this Annual Report.

Human Resources and Compensation Committee of the Parent Company - JKH

No of meetings – Two (02)

Composition	Scope
➤ Committee to comprise exclusively of Non-Executive Directors, a majority of whom shall be independent. ➤ 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 JKH 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 of Key Management Personnel. ➤ Determining compensation of Non-Executive Directors is not under the scope of this Committee.

CORPORATE GOVERNANCE COMMENTARY

The Human Resource and Compensation committee as of 31st March 2023 consisted of the following members.

Mr. D A Cabraal - Chairperson

Mr. M A Omar - *Resigned w.e.f. 27.06.2022*

Dr. S S H Wijayasuriya

Mr. A N Fonseka - *Appointed w.e.f. 27.06.2022*

By Invitation

Mr. K N J Balendra

Mr. J G A Cooray

Ms. M P Perera

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 practice 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 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.

A. Cabraal

A Cabraal

Chairperson of the Human Resources and Compensation Committee

22nd May 2023

Director Remuneration

Executive Director Remuneration

The Human Resources and Compensation Committee of JKH is responsible for determining the compensation of the EDs of the CCS Group. The Human Resources and Compensation Committee operates in conformity with applicable rules and regulations.

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

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

Excluding ESOPs granted, total aggregate of EDs remuneration for the year under review was Rs. 157 million. (2021/22 - Rs. 106 million)

Non-Executive Director Remuneration

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. 7.3 million. (2021/22 - Rs. 6.9 million)

Nominations Committee of the Parent Company - JKH

No of Meetings - Two (02)

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 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 clearly specifying expectation in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others. ➤ Ensure that every appointee undergoes an induction to the Group. ➤ The appointment of the Chairperson and Executive Directors is a collective decision of the Board.

The Nominations committee as of 31st March 2023 consisted of the following members.

Mr. D A Cabraal - Chairperson - *Appointed w.e.f. 27.06.2022*

Mr. M A Omar - *Resigned w.e.f. 27.06.2022*

Mr. K N J Balendra

Ms. M P Perera

Dr. S S H Wijayasuriya

CORPORATE GOVERNANCE COMMENTARY

Report of the Nominations Committee

The Nominations Committee as at 31st March 2023, consisted of the following members:

- A Cabraal (Chairperson)
- K Balendra
- P Perera
- H Wijayasuriya

Note: A Omar resigned as the Chairperson of the Nominations Committee consequent to his resignation from the Board of John Keells Holdings PLC (JKH) on 27th June 2022.

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.
- 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

- A N Fonseka (renewal)
- D A Cabraal (renewal)
- S S H Wijayasuriya (renewal)
- S A Coorey (new appointment)

Ceylon Cold Stores PLC

- S T Ratwatte (renewal)
- R S Wilson Wijeratnam (renewal)

John Keells PLC

- A K Gunawardhana (renewal)
- B A I Rajakarier (renewal)
- C N Wijewardane (renewal)

John Keells Hotels PLC

- K A Gunasekera (renewal)
- A K Moonesinghe (renewal)
- H Premaratne (new appointment)

Keells Food Products PLC

- S De Silva (renewal)
- A E H Sanderatne (renewal)
- I Samarajiva (renewal)
- P D Samarasinghe (renewal)

Tea Smallholder Factories PLC

- A S Jayatilleke (renewal)

Trans Asia Hotels PLC

- S A Atukorale (new appointment)
- N L Gooneratne (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

A Cabraal
Chairperson of the Nominations Committee

22nd May 2023

Related Party Transactions Review Committee of the Parent Company - JKH

No of meetings – Four (04)

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

The Related party transaction review committee as at 31st March 2023 consisted of the following members.

Ms. M P Perera - Chairperson

Mr. D A Cabraal

Mr. A N Fonseka

By Invitation

Mr. J G A Cooray

Mr. K N J Balendra

Report of the Related Party Transaction Review Committee

Composition

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

P Perera

N Fonseka

A Cabraal

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.

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.

CORPORATE GOVERNANCE COMMENTARY

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's 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 sec 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.

Accordingly Recurrent RPTs as well as the aforesaid disclosures and 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.

P Perera

Chairperson of the Related Party Transaction Review Committee

22nd May 2023

Project Risk Assessment Committee of the Parent Company - JKH

No Meetings were held during the financial year.

Composition

- Should comprise of a minimum of four Directors.
- Must include the Chairperson and Group Finance Director.
- Must include two Non-Executive Directors.
- The Chairperson must be a Non-Executive Director.

Scope

- 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 as at 31st March 2023 consisted of the following members.

Dr. S S H. Wijayasuriya - Chairperson

Mr. K N J Balendra

Mr. J G A Cooray

Ms. M P Perera

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

H Wijayasuriya (Chairperson)

K Balendra

G Cooray

P Perera

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.

Given the extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and the trailing impacts of the pandemic on specific sectors; Board discussions took place at a higher frequency, affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by the full Board.

H Wijayasuriya

Chairperson of the Project Risk Assessment Committee

22nd May 2023

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 are 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 the CCS Group companies 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 organizational and individual basis as approved by the Board.

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.

CORPORATE GOVERNANCE COMMENTARY

INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

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

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

Each of the components above are discussed in detail through the detailed Corporate Governance Commentary available on the CCS Corporate website.

ASSURANCE MECHANISMS

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

As outlined in the ensuing sections, the 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 Group, there were no critical concerns which have a material adverse effect on the Group were raised during the year.

The 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" personal transactions.

The 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 with in 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 are readily available to employees in the primary languages used in the country the Company operates in i.e. in Sinhala, Tamil and English.

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, Presidents, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instil these values in the hearts and DNA of the employee.

The CCS Group Values are found in the Our Values section of the Annual Report.

Independent Director

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

The JKHs 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 on the Board Sub-Committees refer section 3.2 of the detailed Governance Commentary on the website.

Employee Participation in Assurance

The CCS Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral- in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the 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 Senior Independent Director
- Continuous reiteration and the practice of the “Open-Door” policy

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.

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 Presidents, Sector Heads and Chief Financial Officers of industry groups to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms. 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 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 through the involvement of the Group Business Process Review function.

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 relevant Audit Committees, 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 Group has in place two integrated frameworks, the ‘Fraud Deterrent and Investigation Framework’ and the ‘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

CORPORATE GOVERNANCE COMMENTARY

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 Group continued with its journey of strengthening its internal audit and process review framework by further augmenting, through automation, its holistic approach to internal audits and process reviews. Aimed at fostering better synergy and alignment of process, technology, and people, in optimising the interplay between these components, this framework continues to provide a stable platform to:

- Operationalise the structured integrated multi-modal process review framework that encourages auditors to report on value added recommendations, identify candidates for full/ partial process automation based on independent assessment of fit within the applicable domain of use cases, industry best practice and access to global knowledge bases.
- Ascertain the degree of alignment and enforcement between process controls and information technology functions, particularly in handling the domain of use-cases.
- Expand the knowledge base of known types of frauds for which process and system controls have been evaluated, and progressively engage in continuous improvement and feedback initiatives based on cumulative learnings.
- Maintain a central repository of data sets associated with each process to undertake retrospective forensic data analysis, as well as the use of the data as a prospective tool as input to steer audit scoping.

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

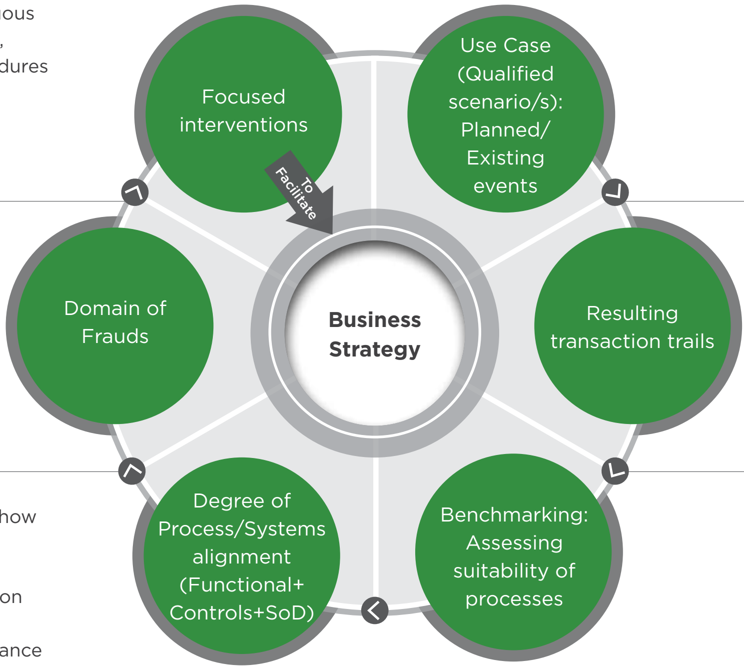
Segregation of Duties (SoD) under Sarbanes-Oxley (SOX) Guidelines

The Group is very aware of the need to ensure that no individual has excessive system access to execute transactions across an entire business process or business processes which have critical approval linkages, 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 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 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.

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

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

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 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'.

Ombudsperson

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

The findings and the recommendations of the Ombudsperson, subsequent to an independent inquiry, is confidentially communicated to the 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:

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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 therefore.

In situation (iii) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairperson 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:

i. 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;

ii. 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;

iii. 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 2023

External Audit

Ernst & Young are 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.

OUTLOOK

The need for maintaining a robust and well-grounded corporate governance framework has become 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 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. The primary areas of focus and challenges, amongst many others, being continuously addressed by CCS Group are detailed in the ensuing section.

- Board Diversity
- Board Independence
- Increasing emphasis on Environmental, Social and Governance (ESG) aspects
- Continual Strengthening of Internal Controls

- Digital Oversight and Cyber Security
- Data Protection, Information Management and Adoption
- Greater Employee Involvement in Governance

Board Diversity

CCS Group acknowledges the need for diversity in Boards and is conscious of the need to attract appropriately skilled Directors who reflect the values and requirements of its businesses and vision. Whilst the Group is of the view that diversity ranging across demographic attributes, backgrounds, experiences and social networks improve a Board's understanding of its vast pool of stakeholders, providing diverse connections with the external environment and aiding the Group in addressing stakeholders' claims in a more responsive manner, CCS group is also conscious of the need to maintain a strong culture of meritocracy, ensuring that Board diversity does not come at the expense of Board effectiveness. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics, experiences and backgrounds. In furtherance of this initiatives, and to amplify the CCS Group's emphasis on creating an inclusive, diverse and equitable work environment, CCS Board comprises of 3 female Directors as at 31st March 2023.

Board Independence

There is an increased emphasis on board independence by stakeholders, stock exchange and regulatory bodies worldwide. In order for a Board to be effective, CCS Group is of the view that companies must take steps, both in their structures and in their nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest which may arise.

The criteria for defining independence of boards vary significantly across countries. The CCS Group is of the view that the intended vision of achieving improved governance and higher 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 lead engagement. To this end, the 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 business setting.

Anti-Fraud, Anti-Corruption and Anti-Bribery

The CCS group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions and strives to maintain a culture of transparency and honesty as opposition to fraud and corruption. Based on this commitment, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, gifting, audit and transparency policies, amongst many others, outline the principles to which the Group is committed in relation to preventing, reporting and managing fraud and corruption. It covers inter-alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments, bribery, allowing oneself to be placed in situations of conflict of interest and statements (financial or non-financial) dishonestly and recklessly made contrary to the factual position. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments and bribery is prohibited across the Group.

The CCS Group seeks to ensure that ethical business practices are the norm from the business unit level, down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners.

The CCS Group will continue its stance of zero-tolerance towards corruption and bribery in all its transactions and foster transparency and honesty in all business dealings, whilst continually developing its governance frameworks in line with international best practice.

Increasing Emphasis on Environmental, Social and Governance (ESG) Aspects

ESG analysis and investing continue to gain traction amongst Governments, 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, harm human rights and foster corruption and bribery, among others, and disintegrate the corporate in the long-term. Moreover, implementing effective ESG policies is crucial for companies to attract talent and retain employee loyalty.

The 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 Groups' business on the environment enhancing the well-being of all stakeholders and ensuring effective

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governance mechanisms. Such metrics are revisited regularly during decision-making. The Group will stay abreast of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

As a part of the JKH Group's continuous efforts towards increasing emphasis and focus on ESG aspects, the Group, along with an international consultant, has commenced work to formulate the Group's ESG framework and set Group-wide ESG related targets.

The key expectation on this engagement is to align the ESG efforts across the Group, resulting in a clearly defined framework and communication of the Group's ESG agenda. Each of the Group's sectors are envisaged to have clearly established short, medium and long-term goals, along with defined roadmaps to achieve the said targets.

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 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

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 CCS Group. Although the Group continues to witness an acceleration of digitisation and better user adoption, the adoption of such systems and features remains at a relatively early stage across the Group and is a key focus area for the Group.

Given the emergence of regulations such as 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 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, Group recognises the pivotal role played by employees in reinforcing an effective governance system across the Group. Group will continue to encourage greater employee participation through:

- A further strengthened continuous performance management process, which envisages continuous feedback and enhanced engagement via the newly implemented employee information systems.
- Engagement and empowerment via greater delegation of authority.
- Increased communication and collaboration.
- Adoption of differentiated means of communication based on the age dynamics of employee segments
- Ongoing training and refreshers on the code of conduct and related governance policies.

A detail discussion of each of the above component is found on Corporate website www.elephanthouse.lk.

STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURE

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
(i)	Names of persons who were Directors of the Entity	Yes	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis, 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)	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
(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 2022/23, 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 as at the end of the year	Yes	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	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 Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Commentary
(xvi)	Related Party transactions exceeding 10% 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

CORPORATE GOVERNANCE COMMENTARY

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 Compliance			
a./ b./c.	Compliance with Corporate Governance Rules	Yes	CCS Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable
7.10.1 Non-Executive Directors (NED)			
a./ b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	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
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 3 Independent NEDs have submitted signed confirmation of their independence
7.10.3 Disclosures Relating to Directors			
a./b.	Board shall annually determine the independence or otherwise of NEDs	Yes	All Independent NEDs have submitted declarations as to their independence
c.	A brief resume of each Director should be included in the annual report including the directors' experience	Yes	Board of Directors section of this Annual Report
d.	Provide a resume of new Directors appointed to the Board along with details	Yes	Board of Directors section of this Annual Report, no new Directors appointed during the financial year 2022/23.
7.10.4 Criteria for Defining Independence			
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance commentary section - Managing conflicts of interest and Ensuring Independence
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 of the Parent Company only comprises of Independent NEDs.
a.2	One NED shall be appointed as Chairperson of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairperson of the Committee
b.	Remuneration Committee shall recommend the remuneration of the Executive Directors	Yes	The remuneration of the Executive Director is determined as per the remuneration principles of the JKH Group, and as recommended by the Human Resources and Compensation Committee

CSE Rule		Compliance Status	Reference (within the CCS Annual Report)
c.1	Names of Remuneration Committee members	Yes	Corporate Governance Commentary – The Human Resources and Compensation Committee
c.2	Statement of Remuneration Policy	Yes	Corporate Governance Commentary – The Human Resources and Compensation Committee
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	Annual Report of Board of Directors and Financial Statements
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	Sector President and Sector Chief Financial Officer should attend AC meetings	Yes	The President and Chief Financial Officer are permanent invitees to all Audit Committee meetings and the External Auditors and Internal 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	The Chairperson of the Audit Committee is a member of a recognised professional accounting body
b. The Functions of the Audit Committee as set in the CSE Listing Rules 7.10.6			
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 regulations	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	Yes	The Audit Committee Report

CORPORATE GOVERNANCE COMMENTARY

STATEMENT OF COMPLIANCE UNDER SECTION 9.3.2 OF THE LISTING RULES OF THE CSE ON CORPORATE GOVERNANCE

MANDATORY PROVISIONS - FULLY COMPLIANT

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

STATEMENT OF COMPLIANCE PERTAINING TO THE COMPANIES ACT NO. 7 OF 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the CCS Annual Report)
168 (1) (a)	The nature of the business together with any change thereof	Yes	Notes to the Financial Statements
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Notes to the 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

ENTERPRISE RISK MANAGEMENT

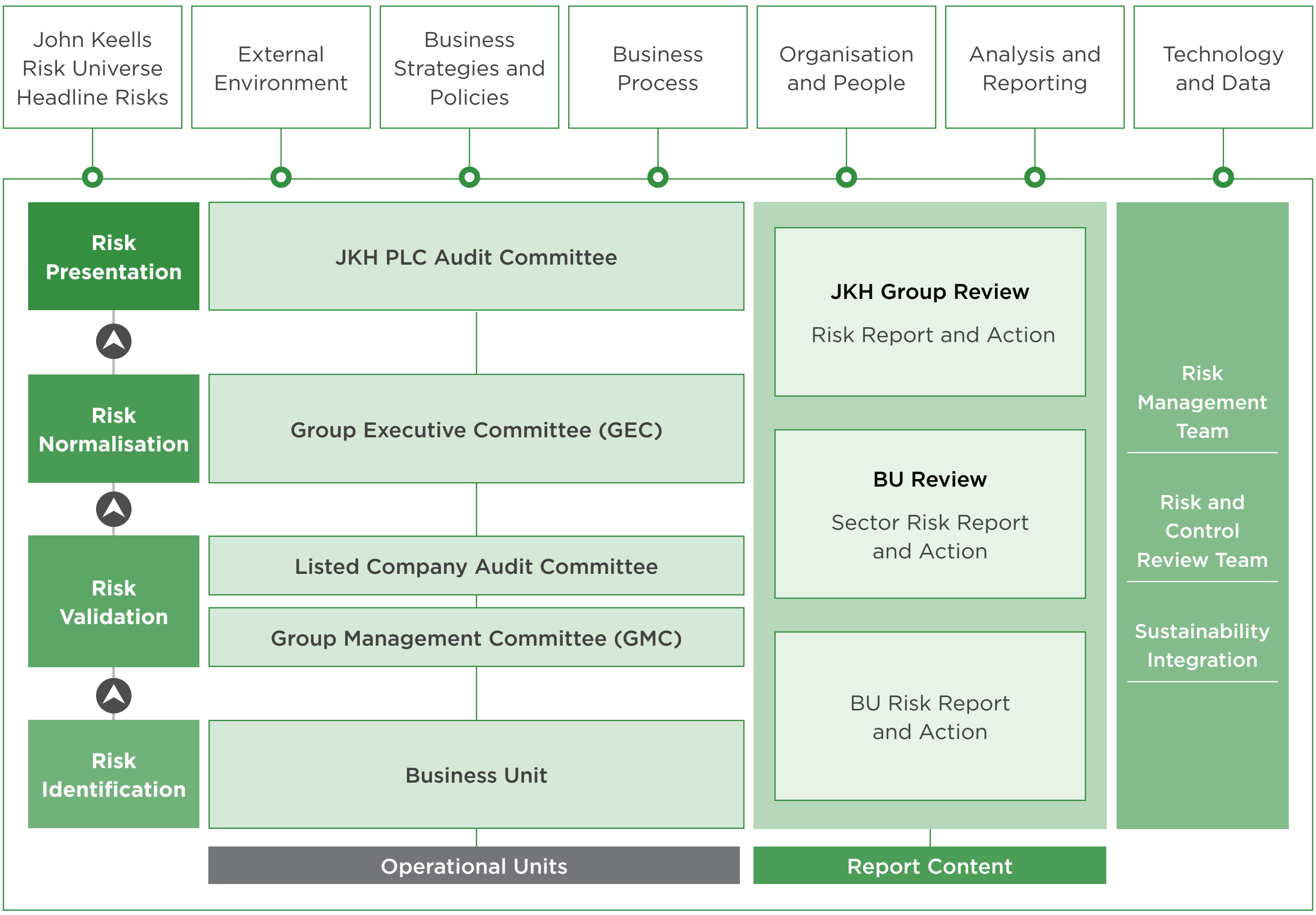
ENTERPRISE RISK MANAGEMENT

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 JKH Enterprise Risk Management division 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 JKH Group is depicted below in Table 1.

TABLE 1 - JKH GROUP RISK MANAGEMENT PROCESS



ENTERPRISE RISK MANAGEMENT

The ERM Framework adopted by the JKH Group and implemented by the Company and its Subsidiaries involves the following three steps:

I. Identification of Types 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.

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.

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

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

RISK UNIVERSE

The Group's risk universe allows categorisation of each risk identified and analysed in to 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 - 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			

SUSTAINABLE 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 year under review was marked with several macro-economic challenges including the devaluation of the Rupee, foreign exchange liquidity, import restrictions, high interest rates and cost escalations stemming from inflationary pressure. 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.

ENTERPRISE RISK MANAGEMENT

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 (JPIL) 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 2021/22 and 2022/23 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	
			2022/23	2021/22
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. ➤ Given the country's weak external position, CBSL enacted a variety of measures to restrict importation. Downgrading of Sri Lanka's sovereign credit rating, limited foreign exchange reserves and difficulties in obtaining Letters of Credit (LCs) from Banks increased the strain on working capital. In August 2022 and February 2023, electricity tariffs were increased by 132% and 40%, respectively, which had a direct impact on the energy-intensive manufacturing processes, cold storage, and distribution channels, resulting in a further margin deterioration. ➤ 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. ➤ The lack of forex, banking limitations imposed to preserve forex, and the country's poor credit rating have all had an impact on import activity. Furthermore, the difficulties in acquiring Letters of Credit (LC) from local banks disrupted operations throughout the fiscal year.	➤ 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 stemming from high interest rates. ➤ Strategic planning in sourcing and holding buffer inventory for the smooth execution of the production plan. ➤ 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

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating 2022/23	Risk Rating 2021/22
	➤ The increase in Value-Added-Tax (VAT), Corporate Income Tax and introduction of Social Security Contribution Levy (SSCL) impacted the overall operations, with considerable cost escalation throughout the supply chain and a decline in market demand due to diminished consumer purchasing power. ➤ Personal Income Tax (PIT) increases and tax slab reforms from the 2023 Budget had a substantial impact on consumer sentiment and expenditure. These changes have prompted a drop in consumption, resulting in a decline in sales volumes.			
Price Volatility of Key Raw Materials	➤ During the recent past the significant price volatility in the world market as well as in the local market with regards to certain raw materials in the manufacturing process directly impacts the price sensitive market of the manufacturing segment. ➤ Changes to Government policies on material imports and restrictions on usage of raw materials in the food and beverage industry also directly impact the cost of production.	➤ 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.	High	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

ENTERPRISE RISK MANAGEMENT

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating	
			2022/23	2021/22
Human Resource, Labour Relations, Loss of Talent and Health and Safety	➤ For 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. Given the prevalent conditions, the risk of employee turnover has escalated. ➤ The Group's operations may be impacted by the potential loss of experienced employees due to skill migration trend prevalent in the country. ➤ Personal Income Tax (PIT) increases and tax slab reforms in the 2023 Budget had a significant impact on employee retention and rewards.	➤ The Group maintains good industrial relations with the unions by identifying and promptly addressing concerns of employees. ➤ 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. ➤ Invest in developing the skills and expertise of the staff via regular training programs. ➤ Group conducted GPTW to assess the employee satisfaction levels and action plans to address the issues. ➤ Aligning Compensation and Benefits (C&B) structures and organizational culture to suit contemporary trends while strengthening emotional connections with regular employee engagement activities. ➤ Implemented the "Skill Fit" programme to high quality talent. ➤ Succession planing is in place for critical roles.	High	High
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 (JMSL) 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 hot lines with trained call center 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.	Medium	Medium

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating 2022/23	Risk Rating 2021/22
		➤ The Group has put in place a comprehensive quality assurance system powered by qualified specialists using international bench marks, 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.		
Credit Risk	➤ Credit facilities are offered to the Manufacturing Sector customers and distributors in view of the operating conditions. 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, 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 minimize 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. ➤ During the pandemic and fuel crisis, employees were given the opportunity to work from home (agile work policy) which in turn has escalated potential risks pertaining to network security, information leakage and device stability.	➤ 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.	Low	Low

ENTERPRISE RISK MANAGEMENT

Risk Item	Impact on Value Creation	Risk Mitigation Strategy	Risk Rating	
			2022/23	2021/22
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 which negatively impacted distributors' cashflows in the Manufacturing Sector. ➤ Increase in energy cost adversely impacted the operating profits of the distribute partners.	➤ Continuously monitor distribution channels and support them case-by-case. ➤ Monitoring of distributor exposure levels. ➤ Introducing new discount policies to maximize the distributor's financial benefits. ➤ 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. ➤ Increased in interest rates and shortages in market liquidity.	➤ Capital expenditures have been curtailed except for upkeep and replacements, and re-negotiation with suppliers on prices and credit periods, extensions of Payments terms. ➤ Re-negotiation of all terms and conditions with contractors and suppliers. ➤ 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.	High	High

GRI INDEX

Statement of use	Ceylon Cold Stores PLC has reported with reference to the GRI Standards for the period 1st April 2022 to 31st March 2023
GRI 1 used	GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	**The organization and its reporting practices**				
	2-1 Organizational details	Page 4, 163			
	2-2 Entities included in the organization's sustainability reporting	Page 4			
	2-3 Reporting period, frequency and contact point	Page 5			
	2-4 Restatements of information	Page 5			
	2-5 External assurance		2-5	N/A	We have not sought external assurance on our Sustainability Reporting.
	Activities and workers				
	2-6 Activities, value chain and other business relationships	Page 16, 17, 25			
	2-7 Employees	Page 66			
	2-8 Workers who are not employees	Page 66			
	Governance				
	2-9 Governance structure and composition	Page 101			
	2-10 Nomination and selection of the highest governance body	Page 111			
	2-11 Chair of the highest governance body	Page 111			
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 101			
	2-13 Delegation of responsibility for managing impacts	Page 101, 112			
	2-14 Role of the highest governance body in sustainability reporting	Page 117, 118			
	2-15 Conflicts of interest	Page 102			
	2-16 Communication of critical concerns	Page 101			
	2-17 Collective knowledge of the highest governance body	Page 117			
	2-18 Evaluation of the performance of the highest governance body	Page 107			
	2-19 Remuneration policies	Page 107			
	2-20 Process to determine remuneration	Page 105			

GRI INDEX

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
	2-21 Annual total compensation ratio		2-21	Confidentiality constraints.	Industry does not disclosed this information due to confidentiality reasons.
	Strategy, policies and practices				
	2-22 Statement on sustainable development strategy	Page 117			
	2-23 Policy commitments	Page 98, 99			
	2-24 Embedding policy commitments	Page 98, 99			
	2-25 Processes to remediate negative impacts	Page 123 - 130			
	2-26 Mechanisms for seeking advice and raising concerns	Page 18, 19			
	2-27 Compliance with laws and regulations	Page 98			
	2-28 Membership associations	Page 86			
	Stakeholder engagement				
	2-29 Approach to stakeholder engagement	Page 18, 19			
	2-30 Collective bargaining agreements	Page 69			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Page 36			
	3-2 List of material topics	Page 37			
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Page 15			
	201-2 Financial implications and other risks and opportunities due to climate change	Page 90, 91			
	201-3 Defined benefit plan obligations and other retirement plans	Page 229, 230			
	201-4 Financial assistance received from government	Page 58			
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Page 67			
	202-2 Proportion of senior management hired from the local community	-			
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Page 62, 63			
	203-2 Significant indirect economic impacts	Page 44, 45			

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 77			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Page 117			
	205-2 Communication and training about anti-corruption policies and procedures	Page 117			
	205-3 Confirmed incidents of corruption and actions taken	There were no material incidents of corruption reported during the year.			
Anti-competitive behavior					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Page 143			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 207: Tax 2019	207-1 Approach to tax	Corporate Governance www.elephanthouse.lk			
	207-2 Tax governance, control, and risk management	Corporate Governance www.elephanthouse.lk			
	207-3 Stakeholder engagement and management of concerns related to tax	Corporate Governance www.elephanthouse.lk			
	207-4 Country-by-country reporting		207-4	N/A	Not relevant to the Group's operations.
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			

GRI INDEX

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 89			
	301-2 Recycled input materials used		301-2	N/A	Information unavailable/ incomplete
	301-3 Reclaimed products and their packaging materials		301-3	N/A	Information unavailable/ incomplete
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 91			
	302-2 Energy consumption outside of the organization		302-2	N/A	Information unavailable/ incomplete
	302-3 Energy intensity	Page 91			
	302-4 Reduction of energy consumption	Page 90, 91			
	302-5 Reductions in energy requirements of products and services		302-5	N/A	Not relevant to the Group's operations.
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 91			
	303-2 Management of water discharge-related impacts	Page 92			
	303-3 Water withdrawal	Page 91			
	303-4 Water discharge	Page 92			
	303-5 Water consumption	Page 88			
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		304-1	N/A	Not relevant to the Group's operations.
	304-2 Significant impacts of activities, products and services on biodiversity		304-2	N/A	Not relevant to the Group's operations.
	304-3 Habitats protected or restored		304-3	N/A	Not relevant to the Group's operations.
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		304-4	N/A	Not relevant to the Group's operations.

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 91			
	305-2 Energy indirect (Scope 2) GHG emissions	Page 91			
	305-3 Other indirect (Scope 3) GHG emissions	Page 91			
	305-4 GHG emissions intensity	Page 91			
	305-5 Reduction of GHG emissions	Page 91			
	305-6 Emissions of ozone-depleting substances (ODS)	Page 91			
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Page 91			
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Page 92			
	306-2 Management of significant waste-related impacts	Page 92			
	306-3 Waste generated	Page 92, 93			
	306-4 Waste diverted from disposal	Page 92			
	306-5 Waste directed to disposal	Page 92			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 84			
	308-2 Negative environmental impacts in the supply chain and actions taken	Page 84			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 67			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 69			
	401-3 Parental leave	Page 71, 65			
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			

GRI INDEX

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Page 69			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Page 68			
	403-2 Hazard identification, risk assessment, and incident investigation	Page 68			
	403-3 Occupational health services	Page 68			
	403-4 Worker participation, consultation, and communication on occupational health and safety	Page 68			
	403-5 Worker training on occupational health and safety	Page 68			
	403-6 Promotion of worker health	Page 68			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 68			
	403-8 Workers covered by an occupational health and safety management system	Page 68			
	403-9 Work-related injuries	Page 68			
	403-10 Work-related ill health	Page 68			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 69			
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 69			
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 69			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 71, 117			
	405-2 Ratio of basic salary and remuneration of women to men	-			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Page 70			

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
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	Page 69, 84			
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Page 84, 67			
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 84, 67			
Security practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		410-1	N/A	Not relevant to the Group's operations.
Rights of indigenous peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		411-1	N/A	Not relevant to the Group's operations.
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 82 - 87			
	413-2 Operations with significant actual and potential negative impacts on local communities	The Group has not identified any operations with significant negative impact on the local communities.			

GRI INDEX

GRI Standard/ Other Source	Disclosure	Location	Location		
			Requirement (S) Omitted	Reason	Explanation
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Page 84			
	414-2 Negative social impacts in the supply chain and actions taken	Page 84			
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 415: Public Policy 2016	415-1 Political contributions	The Group has not made any political contributions during the year.			
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Page 76, 77, 80			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 82			
Marketing and labelling					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labelling	Page 82			
	417-2 Incidents of non-compliance concerning product and service information and labelling	Page 82			
	417-3 Incidents of non-compliance concerning marketing communications	Page 82			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 37			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 63			

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FINANCIAL CALENDER

1st Quarter Released on	15th July 2022
2nd Quarter Released on	2nd November 2022
3rd Quarter Released on	27th January 2023
4th Quarter Released on	22nd May 2023
Annual Report Released on	22nd May 2023
126th Annual General Meeting on	26th June 2023

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 2023.

In the year under review, the CCS Group recorded a Revenue and Profit After Tax growth amidst unprecedented challenges that prevailed in the country. 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 activity of CICL is to manufacture, market and distribution of 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 2022/23 and results of their operations are contained in the Chairperson's Statement (pages 9 to 12) and Management Discussion and Analysis section (pages 36 to 95) 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 2023.

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 156 to 238 and the Auditor's Report on the Financial Statements is provided on pages 152 to 155 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 2023.

GOING CONCERN

The Group has prepared the Financial Statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern.

In determining the basis of preparing the Financial Statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a 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.

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 163 to 238 of the Annual Report.

Revenue

The net Revenue generated during the year under review by the Company amounted to Rs. 19,007 million (2021/22 - Rs. 12,837 million), whilst the consolidated net revenue of the CCS Group amounted to Rs. 126,149 million (2021/22 - Rs. 84,543 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. 1,149 million for the year (2021/22 - Rs. 1,435 million) whilst the Consolidated Profit After Tax was Rs. 2,513 million (2021/22 Rs. 2,068 million).

A synopsis of the CCS Group's performance is presented as follows;

For the year ended 31 March	2023 Rs.'000	2022 Rs.'000
Results from operating activities	6,185,004	4,744,285
Finance cost	(4,100,973)	(2,041,375)
Finance income	134,290	61,911
	2,218,321	2,764,821
Change in fair value of investment property	21,063	16,955
Profit before tax	2,239,384	2,781,776
Provision for taxation including deferred tax	273,284	(713,728)
Profit after tax	2,512,668	2,068,048
Unappropriated profit brought forward from the previous year	13,063,318*	12,362,751
Amount available for appropriation	15,575,986	14,430,799
Final dividend paid for the previous year	(314,026)	(380,174)
1st Interim dividend paid for the current year	(814,302)	(760,320)
	14,447,658	13,290,305
Adjustments	84,263	21,991
Unappropriated profit carried forward	14,531,921	13,312,296

**Unappropriated profit brought forward from the previous year has been adjusted for the Surcharge Tax payment of Rs. 249 million.*

PROVISION FOR TAXATION

Provision for taxation has been computed at the rates given in Note 19.8 to the Financial Statements.

Surcharge Tax

Total Surcharge Tax liability of Rs. 249 million was recognised in the Financial Statements of FY 2022/23 for the Group and the Company as an adjustment to the 1st April 2021 Retained Earnings in the Statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

On 20th April 2022, the Company paid Rs. 124 million on account of the first installment of the Surcharge Tax liability and the balance amount of Rs. 125 million was paid on 20th July 2022.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

SEGMENT REPORTING

A segmental analysis of the activities of the CCS Group is given in Note 6 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 9.3.2 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.

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 2022.

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 2022.

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. 53 million (2021/22 - Rs. 39 million). The CCS Group made no political donations.

DIVIDENDS

A final dividend of Rs. 0.33 per share for the financial year 2021/22 (2020/21 Rs. 0.40 per share) was paid on the 6th of June 2022. An interim dividend of Rs. 0.86 per share for the financial year 2022/23 (2020/21 -1st interim Rs. 0.80) was paid on 8th March 2023.

The Board of Directors has now approved a final dividend of Rs. 0.44 per share for the financial year 2022/23 to be paid on or before 19th June 2023 to those shareholders on the register as of the 29th May 2023. In accordance with the Sri Lanka Accounting Standard 10, events after the reporting period, the declared dividend has not been recognised as a liability as at 31st March 2023.

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. 5,357 million (2021/22 Rs. 4,876 million) for the Company and Rs. 27,250 million (2021/22 Rs. 25,580 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. 643 million and Rs. 3,700 million (2021/22 Rs. 939 million and Rs. 5,099 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. 552 million and Rs. 1,232 million (2021/22 Rs. 248 million and Rs. 1,054 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 2022. 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 2022 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 2023, are disclosed in the Group real estate portfolio page 242 of the Annual Report.

INVESTMENTS

Details of investments held by the Company is 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 2023 was Rs. 918 million (31st March 2022 - Rs. 918 million), as given in Note 31 to the Financial Statements.

Revenue Reserve as at 31st March 2023 for the Company and the Group amounted to Rs. 10,859 million (31st March 2022 - Rs. 11,014 million) and Rs. 14,532 million (31st March 2022 - Rs. 13,312 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 3.54% (as at 31st March 2022 7.55%) 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 of the Financial Statements

EVENTS AFTER THE REPORTING PERIOD

Events occurring after the reporting period is 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 2023 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 7,568 persons as at 31st March 2023 (31st March 2022 – 7,086). 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 98 to 122 of the Annual Report. The Directors confirm that the CCS Group complies with the rules on Corporate Governance as per the Listing Rules of the CSE.

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 98 to 122.

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 123 to 130.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 148 to 150 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.

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 three Independent Non- Executive Directors;

Mr. D A Cabraal - Chairperson

Mr. M A Omar (Resigned w.e.f 27.06.2022)

Dr. S S H Wijayasuriya

Mr. A N Fonseka (Appointed w.e.f 27.06.2022)

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 (Appointed w.e.f 27.06.2022)

Mr. M A Omar – (Resigned w.e.f 27.06.2022)

Dr. S S H Wijayasuriya

Ms. M P Perera

Mr. K N J Balendra

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;

Ms. M P Perera – Chairperson

Mr. D A Cabraal

Mr. A N Fonseka

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. S S H Wijayasuriya - Chairperson

Mr. K N J Balendra

Mr. J G A Cooray

Ms. M P Perera

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. 40.00 - as at 31 March 2023 (Rs. 38.90 as at 31 March 2022). 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 242. Information on share trading is given on page 240 of this Annual Report.

SHAREHOLDINGS

There were 3,376 registered shareholders, holding ordinary voting shares as at 31st March 2023 (3,171 registered shareholders as at 31st March 2022). The distribution of shareholdings including the percentage held by the public is given on page 239 of this Annual Report.

FLOAT ADJUSTED MARKET CAPITALISATION

As at 31st March 2023, Company had a float adjusted market capitalisation of Rs. 7.05 billion and 3,368 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 240 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 27 and 28 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, Mr. J G A Cooray, Mr. D P Gamlath and Dr. (Ms.) R S W Wijeratnam 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 has attained 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. R S W Wijeratnam who is 70 years old and that she be re-elected as Director of the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' INTERESTS IN SHARES

The Directors' (including their spouses) individual shareholdings in the Company as at 31st March 2023 and 31st March 2022 were as follows;

Name of Director	2023 No. of Shares	2022 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	-
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

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 104 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 2022/23.

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;

Director	Date of Purchase	No of Shares	Price per Share Rs.
K C Subasinghe	28th April 2022	5,000	30.00
	29th April 2022	5,000	30.00
	05th May 2022	5,000	28.00
	06th May 2022	5,000	27.80
	09th May 2022	10,000	27.00
	13th May 2022	5,000	28.00
	17th May 2022	5,000	28.00
	18th May 2022	2,250	26.80
	19th May 2022	2,750	27.30

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 2021/2022; 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.

2. The Board approved the payment of revised Director fees and Board Sub Committee fees to the Non-Executive Directors of the Company, namely Mr. K N J Balendra, Mr J. G. A. Cooray, Mr M Hamza, Ms S T Ratwatte, Dr R S W Wijeratnam and Mr K C Subasinghe which fees are commensurate with the market and complexities of the business of the Company, with effect from 1st July 2022. The fees payable to Directors nominated by John Keells Holdings PLC were remitted to John Keells Holdings PLC rather than to individual Directors.

3. The contract and standard Director fees of the following Non-Executive Directors have been approved/ renewed by the Board.
   - Dr. R S W Wijeratnam
   - Ms. S. T. Ratwatte

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 organisations 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 minimise 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 authorising 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 152 to 155 of the Annual Report.

APPROVAL OF THE FINANCIAL STATEMENTS

The Audited Financial Statements were approved by the Board of Directors on 22nd May 2023. 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 26th June 2023. The notice of meeting related to the 126th Annual General Meeting is given on pages 245 and 246.

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

22nd May 2023

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 2023 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 reviewed and approved 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 27 and 28 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 four (4) meetings attended by the Committee members and they are given below;

3 meetings were held via MS Teams and 1 was held physically.

Name	4th May 2022	12th July 2022	19th October 2022	24th January 2023
Ms. S T Ratwatte	✓	✓	✓	✓
Mr. M Hamza	✓	✓	✓	✓
Dr. (Ms.) R S W Wijeratnam	✓	✓	✓	✓

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. PricewaterhouseCoopers (Private) Limited, 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. PricewaterhouseCoopers (Private) Limited.

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 2022/23, 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 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 2024, at the next Annual General Meeting.

COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

The Audit Committee receives a quarterly declaration from the President 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 carry out its 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

22nd May 2023

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 152 to 155 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

22nd May 2023

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201, De Saram Place
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Colombo 10, Sri Lanka

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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 2023, and the income statement and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, 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 (SLAuS). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' 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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Revenue from Contracts with Customers</td></tr>
<tr><td>The Group derived its revenue of Rs. 126,149 million from the manufacture and sale of goods as disclosed in notes 6 & 12 to the financial statement.

Revenue was a Key Audit Matter due to:

➤ The significance of the reported revenue coupled with the significant increase (49%) in revenue recorded by the Group.

➤ Diversity of operating segments that generated the Group revenue from a variety transactions and events with customers.</td><td>Our audit procedures amongst others included the following;

➤ Evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to sale of goods. Tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition.

➤ Performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenues.

➤ Tested the appropriateness of revenue recognized during the year, by reviewing relevant supporting documents.

➤ Performed procedures to test revenue cutoff at the period-end date to determine whether transactions are recorded in the proper period and to the proper accounts.

We also assessed the adequacy of the disclosures in respect of revenue in notes 6 and 12 to the financial statements.</td></tr>
<tr><td colspan="2">Existence and carrying value of Inventory</td></tr>
<tr><td>As at 31 March 2023, the carrying value of inventory amounted to Rs. 14,490 million after considering a provision of Rs.242 million for slow moving and obsolete inventory as disclosed in note 27 to the financial statements.

Existence and carrying value of inventory was a Key Audit Matter due to:

➤ Materiality of the reported amount, which represents 20% of the Group's total assets.

➤ Inventory being held at multiple locations. The existence of inventory is verified by management through a combination of physical inventory counts performed throughout the year on a cyclic basis and as at the year-end.

➤ Judgements applied by the management in determining the provision for slow-moving and obsolete inventory on account of spoilages, shelf life and other industry factors.</td><td>Our audit procedures included the following:

➤ Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the period end.

➤ Tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items.

➤ Understand the process followed by the management for valuation of inventory and to identify adjustments required for the measurement of inventory on account of spoilages, shelf life and other industry factors.

➤ Assessed the reasonableness of management judgements applied in determining provision for slow-moving and obsolete inventory. Our assessment included the basis applied to determine inventory spoilages, shelf-life and perishables.

We also evaluated the adequacy of the disclosures in note 27 to the financial statements</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of unquoted financial assets classified as Fair Value through Other Comprehensive Income (FVOCI)	
As further detailed in note 25, Non-current financial assets consist of an unquoted equity investment in Waterfront Properties (Pvt) Ltd. The fair value is determined 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 ➤ Materiality of the reported unquoted equity investment balance which amounted to Rs. 6,278 million and represent 9% of the total assets. ➤ The degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for unquoted equity investment valuation considering current economic conditions. Key areas of significant management judgements, estimates and assumptions used in the valuation of unquoted equity investment included the use of a valuation technique and unobservable inputs such as revenue and EBITDA margins, discount rate, etc. as further disclosed in note 25.3 in the financial statements.	Our audit procedures focused on the valuation of the fair value of the investment performed by the management, and included the following; ➤ Assessed the appropriateness of the cash flow forecast based on the best available information up to the date of our audit report. Our evaluation involved the use of comparable market data considering the impacts of the current economic conditions prevailing in the country on those forecasts. ➤ Evaluated the appropriateness and completeness of the information included in the value in use calculation. ➤ Assessed the appropriateness of the valuation techniques and reasonableness of assumptions used by the management to ascertain the fair value of the unquoted equity investments. Further, we evaluated the adequacy of the related disclosures in note 25.3 to the financial statements.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2022/2023 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The 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 identified above when it becomes available 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 MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process

AUDITORS' 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 auditors' 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 Sri Lanka Auditing Standards, 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is 2097.

Ernst & Young

22nd May 2023
Colombo

INCOME STATEMENT

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Continuing operations					
Goods transferred at a point in time	12.2	126,149,112	84,543,205	19,006,937	12,837,064
Total revenue from contracts with customers		126,149,112	84,543,205	19,006,937	12,837,064
Cost of sales		(113,400,247)	(75,407,351)	(14,935,067)	(9,269,113)
Gross profit		12,748,865	9,135,854	4,071,870	3,567,951
Dividend income	13	-	-	814,637	592,799
Other operating income	14.1	2,598,920	1,830,959	792,098	577,831
Selling and distribution expenses		(3,992,756)	(3,148,677)	(2,647,215)	(2,122,653)
Administrative expenses		(3,830,270)	(2,837,022)	(901,209)	(820,140)
Other operating expenses	14.2	(1,339,755)	(236,829)	(465,423)	(142,510)
Results from operating activities		6,185,004	4,744,285	1,664,758	1,653,278
Finance cost	15	(4,100,973)	(2,041,375)	(475,372)	(60,192)
Finance income	15	134,290	61,911	54,481	33,684
Net finance cost		(3,966,683)	(1,979,464)	(420,891)	(26,508)
Change in fair value of investment property	22.1	21,063	16,955	24,148	16,955
Profit before tax	16	2,239,384	2,781,776	1,268,015	1,643,725
Tax (expense)/reversal	19.1	273,284	(713,728)	(118,545)	(209,052)
Profit for the year		2,512,668	2,068,048	1,149,470	1,434,673
Attributable to:					
Equity holders of the parent		2,512,668	2,068,048		
		Rs.	Rs.		
Earnings per share					
Basic / Diluted	17	2.64	2.18		
Dividend per share	18	1.19	1.20		

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 163 to 238 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Profit for the year		2,512,668	2,068,048	1,149,470	1,434,673
Other Comprehensive Income					
Other Comprehensive Income not to be reclassified to income statement in subsequent periods					
Re-measurement gain on defined benefit plans	36.3	111,278	27,322	97,099	20,029
Revaluation of land and buildings	20.1	785,965	238,870	443,207	136,705
Gain / (loss) on equity instruments at fair value through Other Comprehensive Income	25.3	(928,132)	157,821	(928,132)	157,821
Net Other Comprehensive Income not to be reclassified to income statement in subsequent periods		(30,889)	424,013	(387,826)	314,555
Tax charge on Other Comprehensive Income		(114,822)	(68,303)	(7,872)	(43,994)
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	(194,483)	(68,303)	(53,824)	(43,994)
Other Comprehensive Income for the year, net of tax		(225,372)	355,710	(441,650)	270,561
Total comprehensive income for the year, net of tax		2,287,296	2,423,758	707,820	1,705,234
Attributable to:					
Equity holders of the parent		2,287,296	2,423,758	707,820	1,705,234

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 163 to 238 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31st March	Notes	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	20.1	27,250,176	25,579,561	5,357,019	4,876,455
Right- of - use assets	21.1.1	9,771,877	10,103,030	45,800	47,402
Investment property	22.1	645,872	317,250	341,398	317,250
Intangible assets	23.1	3,601,044	2,822,191	918,149	418,084
Investment in subsidiaries	24.1	-	-	2,968,410	2,965,049
Deferred tax asset	19.3	272,497	-	-	-
Non-current financial assets	25.1	6,672,817	7,503,034	6,473,957	7,357,832
Other non-current assets	26	1,086,005	1,006,726	113,656	38,383
		49,300,288	47,331,792	16,218,389	16,020,455
Current assets					
Inventories	27	14,490,380	9,074,881	3,236,540	2,191,741
Trade and other receivables	28	5,089,001	4,269,588	2,421,496	2,228,542
Amounts due from related parties	41.1	28,048	3,028	243,885	207,243
Income tax recoverable	19.4	117,922	2,797	-	-
Other current assets	29	1,207,598	1,507,924	120,031	267,746
Short-term investments	30	243,742	-	-	-
Cash in hand and at bank		1,253,061	1,345,397	338,100	447,550
		22,429,752	16,203,615	6,360,052	5,342,822
Total assets		71,730,040	63,535,407	22,578,441	21,363,277
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	14,531,921	13,312,296	10,859,721	11,014,022
Other components of equity	33	3,627,342	3,876,658	2,800,033	3,287,932
Total equity		19,077,463	18,107,154	14,577,954	15,220,154
Non-current liabilities					
Interest-bearing loans and borrowings	35.2	6,850,410	8,307,738	227,802	316,434
Lease liabilities	21.1.2	9,963,144	9,927,569	2,415	2,441
Deferred tax liabilities	19.3	1,929,186	1,756,840	800,371	628,002
Employee benefit liabilities	36.1	754,113	902,906	398,975	555,274
Other non-current liabilities	37	104,035	96,183	104,035	96,183
		19,600,888	20,991,236	1,533,598	1,598,334
Current liabilities					
Trade and other payables	38	14,326,303	12,353,187	2,080,873	2,715,007
Amounts due to related parties	41.2	1,010,338	704,069	451,641	50,133
Income tax liabilities	19.4	105,582	265,955	105,582	214,160
Short-term borrowings	40	1,185,340	2,000,000	237,178	-
Interest-bearing loans and borrowings	35.2	2,170,096	2,179,283	101,400	55,864
Lease liabilities	21.1.2	652,711	477,149	38	36
Other current liabilities	39	1,291,062	1,031,908	349,885	399,054
Bank overdrafts		12,310,257	5,425,466	3,140,292	1,110,535
		33,051,689	24,437,017	6,466,889	4,544,789
Total equity and liabilities		71,730,040	63,535,407	22,578,441	21,363,277

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 163 to 238 form an integral part of these Financial Statements.

22nd May 2023
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 2021	918,200	1,300,490	535,268	1,665,961	12,362,751	16,782,670
Profit for the year	-	-	-	-	2,068,048	2,068,048
Other Comprehensive Income	-	191,680	-	142,039	21,991	355,710
Total comprehensive income	-	191,680	-	142,039	2,090,039	2,423,758
Share based payment transactions	-	-	41,220	-	-	41,220
Preference share dividend paid - 2020/21	-	-	-	-	(14)	(14)
Final dividend paid - 2020/21	-	-	-	-	(380,160)	(380,160)
Interim dividend paid - 2021/22	-	-	-	-	(760,320)	(760,320)
As at 31 March 2022	918,200	1,492,170	576,488	1,808,000	13,312,296	18,107,154
As at 1 April 2022	918,200	1,492,170	576,488	1,808,000	13,312,296	18,107,154
Adjustment for Surcharge Tax	-	-	-	-	(248,978)	(248,978)
As at 1 April 2022 (Adjusted)	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
Company						
As at 1 April 2021	918,200	1,021,154	327,242	1,665,961	10,703,419	14,635,976
Profit for the year	-	-	-	-	1,434,673	1,434,673
Other Comprehensive Income	-	112,098	-	142,039	16,424	270,561
Total comprehensive income	-	112,098	-	142,039	1,451,097	1,705,234
Share based payment transactions	-	-	19,438	-	-	19,438
Final dividend paid - 2020/21	-	-	-	-	(380,160)	(380,160)
Preference share dividend paid - 2020/21	-	-	-	-	(14)	(14)
Interim dividend paid - 2021/22	-	-	-	-	(760,320)	(760,320)
As at 31 March 2022	918,200	1,133,252	346,680	1,808,000	11,014,022	15,220,154
As at 1 April 2022	918,200	1,133,252	346,680	1,808,000	11,014,022	15,220,154
Adjustment for Surcharge Tax	-	-	-	-	(248,978)	(248,978)
As at 1 April 2022 (Adjusted)	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 charge on rate difference	-	(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

*Fair value through Other Comprehensive Income
Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 163 to 238 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
For the year ended 31st March	Notes	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
OPERATING ACTIVITIES					
Profit before working capital changes	A	10,280,939	8,465,115	1,514,147	1,787,149
(Increase) / decrease in inventories		(5,437,657)	(2,043,752)	(1,041,210)	(1,008,191)
(Increase) / decrease in trade and other receivables		(1,069,825)	(1,068,854)	(266,994)	(520,274)
(Increase) / decrease in amounts due from related parties		(25,020)	344	(36,642)	(35,249)
(Increase) / decrease in other current assets		300,326	(730,928)	147,715	(185,538)
Increase / (decrease) in trade and other payables		1,971,631	2,529,342	(635,619)	1,257,546
Increase / (decrease) in amounts due to related parties		306,269	84,724	401,508	(172,215)
Increase / (decrease) in other current liabilities		259,154	355,283	(49,169)	110,856
Increase / (decrease) in other non current liabilities		7,852	(4,871)	7,852	(4,871)
Cash generated from operations		6,593,669	7,586,403	41,588	1,229,213
Finance income received		99,190	48,329	16,019	14,798
Finance expenses paid		(2,955,213)	(975,735)	(475,220)	(60,147)
Tax paid	19.1 & 19.4	(296,848)	(230,531)	(108,578)	(194,672)
Surcharge Tax paid*		(248,978)	-	(248,978)	-
Employee benefit (gratuity) paid	36.3	(66,860)	(51,168)	(49,500)	(45,982)
Net cash flow from operating activities		3,124,960	6,377,298	(824,669)	943,210
INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	20.1	(3,700,188)	(4,996,701)	(643,491)	(836,507)
Purchase of intangible assets	23.1	(1,232,476)	(1,053,599)	(551,655)	(248,167)
Proceeds from sale of property plant and equipment		133,121	3,092	393	1,357
Proceeds from sale of intangible assets		-	472	-	-
Acquisition of water plant	8.1	-	(149,558)	-	(149,558)
Dividend income received	13	-	-	814,637	592,799
Net cash flow used in investing activities		(4,799,543)	(6,196,294)	(380,116)	(640,076)
FINANCING ACTIVITIES					
Dividend paid to equity holders of parent	18	(1,128,314)	(1,140,480)	(1,128,314)	(1,140,480)
Dividend paid to preference shareholders	17.1	(14)	(14)	(14)	(14)
Proceeds from interest bearing loans and borrowings	35.1	708,754	5,352,298	8,754	372,298
Repayment of interest bearing loans and borrowings	35.1	(2,175,269)	(1,706,944)	(51,850)	-
Repayment of lease liabilities	21.1.2	(1,649,299)	(1,376,008)	(176)	-
Proceeds from/(repayment of) other financial liabilities (net)	40	(814,660)	(1,071,103)	237,178	-
Net cash flow from / (used) in financing activities		(5,058,802)	57,749	(934,422)	(768,196)

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,733,385)	238,753	(2,139,207)	(465,062)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(4,080,069)	(4,318,822)	(662,985)	(197,923)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(10,813,454)	(4,080,069)	(2,802,192)	(662,985)
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments (Less than 3 months)		243,742	-	-	-
Cash in hand and at bank		1,253,061	1,345,397	338,100	447,550
Unfavourable balances					
Bank overdrafts		(12,310,257)	(5,425,466)	(3,140,292)	(1,110,535)
Total cash and cash equivalents		(10,813,454)	(4,080,069)	(2,802,192)	(662,985)
Note A					
Profit before working capital changes					
Profit before tax		2,239,384	2,781,776	1,268,015	1,643,725
Adjustments for:					
Finance income	15	(134,290)	(61,911)	(54,481)	(33,684)
Finance cost	15	4,100,973	2,041,375	475,372	60,192
Dividend income	13	-	-	(814,637)	(592,799)
Change in fair value of investment property	22.1	(21,063)	(16,955)	(24,148)	(16,955)
Depreciation of property, plant and equipment	20.1	2,376,723	1,984,755	607,537	551,552
Amortisation of right-of-use assets	21.1.1	1,152,850	1,042,049	1,602	668
Foreign exchange loss on lease liability	21.1.2	11,854	48,525	-	-
Amortisation of intangible assets	23.1	413,668	299,092	51,590	35,197
(Profit) / loss on sale of property, plant and equipment	14.2	39,576	34,484	(310)	144
Share based payment expense	34	60,319	41,220	27,286	19,438
Employee benefit provisions and related costs	36.2	29,345	173,185	(9,700)	89,494
Provision for / (reversal of) slow moving inventory	27	22,158	79,446	(3,589)	17,155
Impairment of trade and other receivables	28	(10,558)	18,262	(10,390)	13,210
Gain on bargain purchase of water plant	8.1	-	(188)	-	(188)
		10,280,939	8,465,115	1,514,147	1,787,149

*Payments made on 20th April and 20th July 2022.

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 163 to 238 form an integral part of these Financial Statements.

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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 2023, 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 2023 were authorised for issue by the Directors on 22nd May 2023.

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 151 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 2023 on the basis that it will continue to operate as a going concern.
In determining the basis of preparing the Financial Statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the CCS Group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a 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.

In determining the above, significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations 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.

Provision for Taxation

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the (Addendum to) Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 19 on Income Taxes.

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 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 or Non-current.
- Amendments to LKAS 1 : Disclosure of Accounting Policies.
- Amendments to LKAS 8 : Definition of Accounting Estimates.
- Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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 the 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) Limited. 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, Supermarkets 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

For the year ended 31st March	Manufacture 2023 Rs.'000	Manufacture 2022 Rs.'000	Supermarkets 2023 Rs.'000	Supermarkets 2022 Rs.'000	Total 2023 Rs.'000	Total 2022 Rs.'000
Goods transferred at a point in time						
-External revenue	26,376,329	17,534,371	99,772,783	67,008,834	126,149,112	84,543,205
-Inter segment revenue	934,926	600,530	-	-	934,926	600,530
Total segment revenue from contracts with customers	27,311,255	18,134,901	99,772,783	67,008,834	127,084,038	85,143,735
Elimination					(934,926)	(600,530)
Net segment revenue from contracts with customers	27,311,255	18,134,901	99,772,783	67,008,834	126,149,112	84,543,205
Segment operating profit	2,642,017	2,652,369	4,492,958	2,672,107	7,134,975	5,324,476
Finance costs	(783,393)	(167,807)	(3,317,580)	(1,873,568)	(4,100,973)	(2,041,375)
Finance income	54,545	29,639	79,745	32,272	134,290	61,911
Change in fair value of investment property	24,148	16,955	(3,085)	-	21,063	16,955
Eliminations / adjustments					(949,971)	(580,191)
Profit before tax	1,937,317	2,531,156	1,252,038	830,811	2,239,384	2,781,776
Tax (expense)/ credit**	636,088	(362,452)	(362,804)	(351,276)	273,284	(713,728)
Profit for the year	2,573,405	2,168,704	889,234	479,535	2,512,668	2,068,048
Purchase and construction of property, plant and equipment	737,090	921,246*	2,963,098	4,075,455	3,700,188	4,996,701*
Addition to intangible assets	552,745	253,479	679,731	800,120	1,232,476	1,053,599
Depreciation of property, plant and equipment	831,202	765,344	1,545,342	1,219,411	2,376,544	1,984,755
Amortization of intangible assets	54,979	37,512	358,689	261,580	413,668	299,092
Amortisation of right-of-use assets	6,627	5,503	1,146,223	1,036,546	1,152,850	1,042,049
Employee benefit provisions and related costs	(7,620)	91,481	36,965	81,704	29,345	173,185

*Excludes the acquisition of the water plant.

**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)

For the year ended 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Sri Lanka	125,182,028	84,013,603	18,217,242	12,356,212
Outside Sri Lanka	967,084	529,602	789,695	480,852
Total revenue from contracts with customer	126,149,112	84,543,205	19,006,937	12,837,064

NOTES TO THE FINANCIAL STATEMENTS

6.3 Following is a reconciliation of the amounts in the Statement of Financial Position for the reportable segments

As at 31st March	Manufacture		Supermarkets		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
ASSETS						
Non-current assets						
Property, plant and equipment	9,120,094	8,609,502	18,137,344	16,977,321	27,257,438	25,586,823
Right- of - use assets	262,261	266,611	9,509,616	9,836,419	9,771,877	10,103,030
Investment property	341,398	317,250	304,474	-	645,872	317,250
Intangible assets	933,692	435,925	2,552,346	2,271,260	3,486,038	2,707,185
Deferred tax asset	272,497	-	-	-	272,497	-
Non-current financial assets	6,503,141	7,364,940	169,676	138,094	6,672,817	7,503,034
Other non-current assets	122,840	42,907	963,165	963,819	1,086,005	1,006,726
Segment non-current assets	17,555,923	17,037,135	31,636,621	30,186,913	49,192,544	47,224,048
Goodwill					115,006	115,006
Eliminations / adjustments					(7,262)	(7,262)
Total non-current assets	17,555,923	17,037,135	31,636,621	30,186,913	49,300,288	47,331,792
Current assets						
Inventories	4,348,689	3,143,331	10,179,167	5,954,732	14,527,856	9,098,063
Trade and other receivables	3,416,010	2,870,789	1,672,991	1,398,799	5,089,001	4,269,588
Amounts due from related parties	244,137	207,483	209,906	102,639	454,043	310,122
Other current assets	206,825	351,491	1,000,773	1,159,230	1,207,598	1,510,721
Income tax recoverable	115,125	-	2,797	-	117,922	-
Short-term investments	-	-	243,742	-	243,742	-
Cash in hand and at bank	350,575	493,443	902,486	851,954	1,253,061	1,345,397
Eliminations / adjustments	-	-	-	-	(463,471)	(330,276)
Total segment current assets	8,681,361	7,066,537	14,211,862	9,467,354	22,429,752	16,203,615
Total assets	26,237,284	24,103,672	45,848,483	39,654,267	71,730,040	63,535,407
LIABILITIES						
Non-current liabilities						
Interest bearing loans and borrowings	227,802	316,434	6,622,608	7,991,304	6,850,410	8,307,738
Lease liabilities	155,886	144,880	9,807,258	9,782,689	9,963,144	9,927,569
Deferred tax liabilities	800,371	956,663	1,128,815	800,177	1,929,186	1,756,840
Employee benefit liabilities	409,250	563,259	344,863	339,647	754,113	902,906
Other non-current liabilities	104,035	96,183	-	-	104,035	96,183
Total segment non-current liabilities	1,697,344	2,077,419	17,903,544	18,913,817	19,600,888	20,991,236
Current liabilities						
Trade and other payables	2,645,350	3,498,820	11,680,951	8,854,367	14,326,301	12,353,187
Amounts due to related parties	534,521	180,476	899,774	830,687	1,434,295	1,011,163
Income tax liabilities	105,582	265,955	-	-	105,582	265,955
Short-term borrowings	485,340	-	700,000	2,000,000	1,185,340	2,000,000
Interest bearing loans and borrowings	101,400	590,587	2,068,696	1,588,696	2,170,096	2,179,283
Lease liabilities	438	153	652,273	476,996	652,711	477,149
Other current liabilities	423,932	437,753	867,130	594,155	1,291,062	1,031,908
Bank overdrafts	4,343,957	1,863,900	7,966,300	3,561,566	12,310,257	5,425,466
Eliminations / adjustments					(423,955)	(307,094)
Total segment current liabilities	8,640,520	6,837,644	24,835,124	17,906,467	33,051,689	24,437,017
Total liabilities	10,337,864	8,915,063	42,738,668	36,820,284	52,652,577	45,428,253

6.4 Following is a summary of cash flows from/(used in) operating segments.

For the year ended 31st March	Manufacture 2023 Rs.'000	Manufacture 2022 Rs.'000	Supermarkets 2023 Rs.'000	Supermarkets 2022 Rs.'000	Group Total 2023 Rs.'000	Group Total 2022 Rs.'000
Net cash flow from operating activities	(763,730)	2,031,481	3,888,690	4,325,568	3,124,960	6,377,298
Net cash flow (used in) investing activities	(1,430,894)	(729,888)	(3,368,649)	(4,853,359)	(4,799,543)	(6,196,294)
Net cash flow from/(used in) financing activities	(428,302)	(1,626,040)	(4,630,500)	(85,910)	(5,058,802)	57,749
Net increase/(decrease) in cash and cash equivalents	(2,622,926)	(324,447)	(4,110,459)	(613,701)	(6,733,385)	238,753

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 2023. 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 the 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.)

Accounting policy

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 Water Plant

On 29th October 2021, the Company purchased a Water Bottling Plant from Worldwide Enterprises Pvt Ltd for a consideration of Rs. 150 million using a new term loan facility obtained from a commercial bank. The acquisition was done for the purpose of increasing the efficiency and reduction in cost of the current operation.

Fair value of the net assets acquired in the plant is as follows;

		GROUP AND COMPANY	
		2023	2022
	Notes	Rs.'000	Rs.'000
ASSETS			
Current assets		-	1,858
Right-of-use asset	21.1.1	-	48,070
Property, plant and equipment	20.1	-	102,692
LIABILITIES			
Employee benefit liabilities	36.3	-	(442)
Lease liability	21.1.2	-	(2,432)
Total identifiable net assets at fair value		-	149,746
Gain on bargain purchase recognised in other operating income	14.1	-	(188)
Net cash outflow on purchasing the water plant		-	149,558

9 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets held by the Group, principally comprise of cash, loans to executives, trade and other receivables, 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 counter party 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 executives, the Group's exposure to credit risk arises from default of the counter party. The Group manages its operations to avoid any excessive concentration of counter party risk and the Group takes all reasonable steps to ensure the counter parties 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

		2023						
As at 31st March	Notes	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		

		2022						
As at 31st March	Notes	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	297,223	-	100,237	-	-	397,460	7%
Trade and other receivables	9.1.3	-	-	4,169,351	-	-	4,169,351	70%
Amounts due from related parties	9.1.4	-	-	-	-	3,028	3,028	0%
Cash in hand and at bank	9.1.5	-	1,345,397	-	-	-	1,345,397	23%
Total credit risk exposure		297,223	1,345,397	4,269,588	-	3,028	5,915,236	100%
Financial assets at fair value through OCI	9.1.6	7,205,811	-	-	-	-		
Total equity risk exposure		7,205,811	-	-	-	-		
Total		7,503,034	1,345,397	4,269,588	-	3,028		

NOTES TO THE FINANCIAL STATEMENTS

9.1.1 Credit risk exposure (Contd.)

COMPANY

		2023						
As at 31st March	Notes	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		

		2022						
As at 31st March	Notes	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	152,021	-	56,221	-	-	208,242	6%
Trade and other receivables	9.1.3	-	-	2,172,321	-	-	2,172,321	72%
Amounts due from related parties	9.1.4	-	-	-	-	207,243	207,243	7%
Cash in hand and at bank	9.1.5	-	447,550	-	-	-	447,550	15%
Total credit risk exposure		152,021	447,550	2,228,542	-	207,243	3,035,356	100%
Financial Assets at fair value through OCI	9.1.6	7,205,811	-	-	-	-		
Total equity risk exposure		7,205,811	-	-	-	-		
Total		7,357,832	447,550	2,228,542	-	207,243		

9.1.2 Loans to executives

Loans to executives portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary Power of Attorney/promissory notes as collateral for the loans granted.

9.1.3 Trade and other receivables

As at 31 March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Neither past due nor impaired				
days				
<30	4,268,565	3,719,813	1,899,952	1,899,887
30-60	591,812	318,468	362,397	192,764
61-90	72,551	83,261	56,388	56,350
Past due but not impaired				
91-120	7,369	30,309	2,919	7,918
121-180	25,192	6,066	21,104	4,561
> 181	6,101	11,434	6,101	10,841
Allowance for expected credit losses	79,448	90,006	69,319	79,709
Gross carrying value	5,051,038	4,259,357	2,418,180	2,252,030
Allowance for expected credit losses	(79,448)	(90,006)	(69,319)	(79,709)
Total	4,971,590	4,169,351	2,348,861	2,172,321

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 in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default 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 amount 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 counter party taking into consideration, where relevant, the rating or financial standing of the counter party, 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. 10,813 million at 31st March 2023 (2022 - Rs. 4,080 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 assets at fair value through OCI. The Company shareholding as at the reporting date was 3.54% (2022 - 7.55%).

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 2023, the Group carries deposits amounting to Rs 243 million at bank (2021/22- Rs. 0 million).

As at 31st March	GROUP			
Fitch ratings	2023 Rs.'000	Rating % of total	2022 Rs.'000	Rating % of total
A	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	
As at 31 March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Short-term investments	243,742	-	-	-
Cash in hand and at bank	1,253,061	1,345,397	338,100	447,550
Total liquid assets	1,496,803	1,345,397	338,100	447,550
Interest-bearing loans and borrowings (Non-current)	6,850,410	8,307,738	227,802	316,434
Short-term borrowings	1,185,340	2,000,000	237,178	-
Interest-bearing loans and borrowings (Current)	2,170,096	2,179,283	101,400	55,864
Bank overdrafts	12,310,257	5,425,466	3,140,292	1,110,535
Total liquid liabilities	22,516,103	17,912,487	3,706,672	1,482,833
Net debt	(21,019,300)	(16,567,090)	(3,368,572)	(1,035,283)

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 as at 31st March 2023 based on contractual undiscounted (principal plus interest) payments.

As at 31st March	2023						
	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

The table below summarises the maturity profile of the Group's financial liabilities as at 31st March 2022 based on contractual undiscounted (principal plus interest) payments.

As at 31st March	2022						
	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	2,718,326	2,497,183	4,349,970	1,922,756	297,062	-	11,785,297
Lease liabilities	1,680,087	1,680,218	1,721,839	1,465,794	1,461,275	11,679,813	19,689,026
Trade and other payables	12,353,187	-	-	-	-	-	12,353,187
Amounts due to related parties	704,069	-	-	-	-	-	704,069
Short-term borrowings	2,000,000	-	-	-	-	-	2,000,000
Bank overdrafts	5,425,466	-	-	-	-	-	5,425,466
	24,881,135	4,177,401	6,071,809	3,388,550	1,758,337	11,679,813	51,957,045

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 as at 31st March 2023 based on contractual undiscounted (principal plus interest) payments.

As at 31st March	2023						
	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
Bank overdrafts	3,140,292	-	-	-	-	-	3,140,292
	5,796,295	115,629	107,770	25,640	176	4,042	6,049,552

The table below summarises the maturity profile of the Company's financial liabilities as at 31st March 2022 based on contractual undiscounted (principal plus interest) payments.

As at 31st March	2022						
	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	81,170	114,292	107,079	99,865	37,931	-	440,337
Lease liabilities	176	176	176	176	176	4,217	5,097
Trade and other payables	2,715,007	-	-	-	-	-	2,715,007
Amounts due to related parties	50,133	-	-	-	-	-	50,133
Bank overdrafts	1,110,535	-	-	-	-	-	1,110,535
	3,957,021	114,468	107,255	100,041	38,107	4,217	4,321,109

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 2023 and 2022.

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 2023 and 2022.

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) continued the tightening of monetary policy stance during current financial year, resulting in a sharp upward trend in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored in to secondary market yields on Government Securities. The shortage of liquidity in the first half of the financial year further put pressure on market interest rates. There was a decrease in interest rates in the last three months of the financial year on account of the reduced Government debt financing requirements and improved liquidity position in the country. The Group had mitigated the risk of increasing interest rates by balancing its portfolio of borrowings and moving a sizeable portion of its Sri Lankan Rupee borrowings on a long-term basis prior to the sharp upward movement in interest rates. Similarly, where relevant and possible, a majority of the Rupee long-term facilities were on a fixed rate basis over the tenor of the loan. In respect of the Group's foreign currency borrowing portfolio, interest rate swap agreements are in place for a sizeable portion of the facilities.

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).

For the year ended 31st March	Increase/ (decrease) in basis points	GROUP Effect on profit before tax Rs. '000	COMPANY Effect on profit before tax Rs. '000
2023	+ 1916 basis points	1,728,239	63,075
	- 1916 basis points	(1,728,239)	(63,075)
2022	+ 270 basis points	42,454	-
	- 270 basis points	(42,454)	-

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 decisions rights given by the Board of Directors.

The Sri Lankan Rupee depreciated significantly in the first two quarters of the financial year and witnessed significant volatility during certain periods of the financial year. The foreign exchange markets were largely inactive and liquid during the first half of the financial year amidst significant foreign exchange shortages and macroeconomic uncertainty. However, from the second half of the financial year, the foreign exchange liquidity improved on the back of a trade surplus given the sharp contraction of imports due to the fiscal and monetary policy measures adopted in the country and the continuation of import restrictions at the time. The Rupee appreciated during the final quarter with the improving foreign exchange liquidity situation in the country and the impending EFF from the International Monetary Fund (IMF), at the time. 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” as a result 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. The Group was able to navigate the liquidity challenges through matching its obligations with foreign currency inflows, as far as possible and permissible, while also using the strength of the Group balance sheet to manage the situation.

		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
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)
2022					
USD	.+/-52.50%	(247,987)	(247,987)	(113,687)	(113,687)
Euro	.+/-4.85%	(50)	(50)	(50)	(50)
GBP	.+/-1.63%	(942)	(942)	(942)	(942)

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 31 March	2023	2022	2023	2022
Debt / Equity	118.02%	98.92%	25.43%	9.74%

The increase in the debt to equity ratio is due to increase in borrowings to finance the supermarkets segment's operational growth. Having access to sufficient sources of funding, the debt maturing within 12 months can be rolled over with existing lenders. Further with the expected growth in the supermarkets sector debt will be served in a timely manner.

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 economic best interest.

A fair value measurement of a non- financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

Fair value hierarchy

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

As at 31 March	Notes	Level 1 2023 Rs.'000	Level 1 2022 Rs.'000	Level 2 2023 Rs.'000	Level 2 2022 Rs.'000	Level 3 2023 Rs.'000	Level 3 2022 Rs.'000
Unquoted equity investments	25.3	-	-	-	-	6,277,679	7,205,811
		-	-	-	-	6,277,679	7,205,811
Non- financial assets							
Land and buildings	20.1	-	-	-	-	2,222,491	1,698,877
Buildings on lease hold land	20.1	-	-	-	-	7,957,847	7,802,544
Investment property	22.1	-	-	-	-	645,872	317,250
		-	-	-	-	10,826,210	9,818,671

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

As at 31 March	Notes	Level 1 2023 Rs.'000	Level 1 2022 Rs.'000	Level 2 2023 Rs.'000	Level 2 2022 Rs.'000	Level 3 2023 Rs.'000	Level 3 2022 Rs.'000
Unquoted equity investments	25.3	-	-	-	-	6,277,679	7,205,811
		-	-	-	-	6,277,679	7,205,811
Non- financial assets							
Land and buildings	20.1	-	-	-	-	2,222,491	1,698,877
Buildings on lease hold land	20.1	-	-	-	-	59,971	50,129
Investment property	22.1	-	-	-	-	341,398	317,250
		-	-	-	-	2,623,860	2,066,256

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 is summarised below;

As at 31 March	GROUP AND COMPANY Rs.'000
As at 1st April 2022	7,205,811
Remeasurement gain/(loss) recognised in OCI	(928,132)
As at 31st March 2023	6,277,679

Fair valuation done as at 31st March 2023 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 is 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 statement of profit or loss.

The Group and the Company have no equity instruments that are 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	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Financial instruments in non-current assets								
Non-current financial assets	395,138	297,223	6,277,679	7,205,811	196,278	152,021	6,277,679	7,205,811
Financial instruments in current assets								
Trade and other receivables	5,089,001	4,269,588	-	-	2,421,496	2,228,542	-	-
Amounts due from related parties	28,048	3,028	-	-	243,885	207,243	-	-
Short-term investments	243,742	-	-	-	-	-	-	-
Cash in hand and at bank	1,253,061	1,345,397	-	-	338,100	447,550	-	-
Total	7,008,990	5,915,236	6,277,679	7,205,811	3,199,759	3,035,356	6,277,679	7,205,811

NOTES TO THE FINANCIAL STATEMENTS

11.2 Financial liabilities by categories

	GROUP		COMPANY	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
As at 31 March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Financial instruments in non-current liabilities				
Interest-bearing loans and borrowings	6,850,410	8,307,738	227,802	316,434
Lease liabilities	9,963,144	9,927,569	2,415	2,441
Financial instruments in current liabilities				
Trade and Other payables	14,326,303	12,353,187	2,080,873	2,715,007
Amounts due to related parties	1,010,338	704,069	451,641	50,133
Short-term borrowings	1,185,340	2,000,000	237,178	-
Interest-bearing loans and borrowings	2,170,096	2,179,283	101,400	55,864
Lease liabilities	652,711	477,149	38	36
Bank overdrafts	12,310,257	5,425,466	3,140,292	1,110,535
Total	48,468,599	41,374,461	6,241,639	4,250,450

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 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.

NOTES TO INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

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	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Goods transferred at a point in time				
Manufacturing	26,376,329	17,534,371	19,006,937	12,837,064
Supermarkets	99,772,783	67,008,834	-	-
Total revenue from contracts with customers	126,149,112	84,543,205	19,006,937	12,837,064

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 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 2023 the Company and the Group has no contract assets.

Contract liabilities

Contract liabilities are 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.

Supermarkets

The Supermarket sector which includes Jaykay Marketing Services (Pvt) Ltd and Logipark International (Pvt) Ltd focus on modern organised retailing 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	2023 Rs.'000	2022 Rs.'000
Dividend income from investment in Subsidiaries	814,637	592,799

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	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
14.1	**Other Operating Income**				
	Exchange gain	-	-	-	87,609
	Promotional Income	1,969,177	1,432,801	-	-
	Write back of dealer deposits	-	593	-	593
	Scrap sales	15,481	13,174	9,974	8,806
	Rental income	122,136	89,930	436	434
	Franchise income	42,128	22,935	20,608	15,865
	Royalty income	27,482	17,755	331,698	212,703
	Shared service fee	34,539	21,736	269,962	196,960
	Net gain on disposal of property, plant and equipment	310	-	310	-
	Utility collection commission	69,164	72,429	-	-
	Write back of expired gift vouchers	132,235	45,294	-	-
	Gain on bargain purchase of water plant	-	188	-	188
	Sundry income	186,268	114,124	159,110	54,673
		2,598,920	1,830,959	792,098	577,831
14.2	**Other Operating Expenses**				
	Exchange Loss	96,849	16,291	67,465	-
	Write back of dealer deposits	8,371	-	8,371	-
	Spoilage and wastage	190,428	137,506	164,525	129,183
	Bank charges	76,743	15,080	56,748	8,788
	Cash collection charges	35,380	28,088	-	-
	Loss on disposal of property, plant and equipment	39,886	34,484	-	144
	Other expenses	892,098	5,380	168,314	4,395
		1,339,755	236,829	465,423	142,510

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	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Finance Income and Finance Costs				
Finance income				
Interest income - staff loans	73,186	46,341	48,116	25,100
Interest income - short term investments	61,104	15,570	3,004	3,280
Interest income - financial guarantee given to the Subsidiary*	-	-	3,361	5,304
Total finance income	134,290	61,911	54,481	33,684
Finance costs				
Interest expense on lease liabilities	(1,145,761)	(1,087,053)	(152)	(45)
Interest expense on borrowings - Long-term	(1,234,330)	(454,636)	(28,319)	(6,466)
Interest expense on borrowings - Short-term	(1,720,882)	(499,686)	(446,901)	(53,681)
Total finance cost	(4,100,973)	(2,041,375)	(475,372)	(60,192)
Net finance cost	(3,966,683)	(1,979,464)	(420,891)	(26,508)

*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 obtained.

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;

For the year ended 31st March	Note	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Remuneration to Executive Directors		156,861	106,854	76,363	49,826
Remuneration to Non-Executive Directors		7,365	6,960	6,405	6,000
Auditors' remuneration					
Audit		3,648	3,015	1,704	1,625
Non-audit		726	565	644	488
Costs of defined employee benefits					
Defined benefit plan cost	36.3	150,017	137,338	67,669	66,268
Defined contribution plan cost - EPF and ETF		525,659	434,641	157,769	144,652
Other long-term employee benefits cost	36.4	(120,672)	35,847	(77,369)	23,226
Staff expenses		8,496,639	6,634,027	2,795,335	2,304,948
Excise Duty		774,636	810,096	774,636	810,096
Share based payment expenses	34	60,319	41,220	27,286	19,438
Depreciation of property, plant and equipment	20.1	2,376,723	1,984,755	607,537	551,552
Amortisation of intangible assets	23.1	413,668	299,092	51,590	35,197
Amortisation of Right of Use Assets	21.1.1	1,152,850	1,042,049	1,602	668
Loss / (Profit) on disposal of property, plant and equipment	14	39,576	34,484	(310)	144
Corporate social responsibility related expenses		53,104	38,520	23,988	17,092
Donations		-	1	-	-

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		2023	2022
17.1	**Basic earnings per share**				
	Profit for the year		Rs. '000	2,512,668	2,068,048
	Dividend on preference shares		Rs. '000	(14)	(14)
	Profit attributable to equity holders of the parent		Rs. '000	2,512,654	2,068,034
	Weighted average number of ordinary shares	17.3	No. '000	950,400	950,400
	Basic earnings per share		Rs.	2.64	2.18
17.2	**Diluted earnings per share**				
	Profit attributable to equity holders of the parent		Rs. '000	2,512,654	2,068,034
	Adjusted weighted average number of ordinary shares	17.3	No. '000	950,400	950,400
	Diluted earnings per share		Rs.	2.64	2.18
17.3	**Amount used as denominator**				
	Ordinary shares at the beginning of the year		No. '000	950,400	95,040
	Bonus element on share subdivision- 2021/22		No. '000	-	855,360
	Weighted average number of ordinary shares in issue before dilution		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	2023		2022	
	Rs.	Rs.'000	Rs.	Rs.'000
Declared and paid during the year				
Final dividend**	0.33	314,012	0.4*	380,160
1st Interim	0.86	814,302	0.80	760,320
Total dividend	1.19	1,128,314	1.20	1,140,480

** DPS has been restated for the share subdivision done in 2021/22. Refer Note 31*

***2021/22 final dividend was paid in 2022/23*

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
- 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.

NOTES TO THE FINANCIAL STATEMENTS

19 TAXES (CONTD.)

Accounting policy

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.

Surcharge tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the CCS Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 million, for the year of assessment 2020/2021. The liability is computed at the rate of 25% on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the Financial Statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax liability of Rs. 248 million has been recognised for the Company as an opening adjustment to the 1 April 2022 retained earnings in the Statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, it assessed whether the Interpretation had an impact on its Consolidated Financial Statements. Group determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the Consolidated Financial Statements of the Group.

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
19.1 Tax Expense/Reversal					
Current income tax					
Tax charge for the period	19.5	-	254,173	-	168,980
15% Advanced Income Tax payment on intercompany dividends		113,759	-	-	-
Income tax refund claimed due to brought forward tax losses	19.9	(92,409)	-	-	-
Under provision of current tax of previous years	19.4	-	19,415	-	19,415
Irrecoverable Economic Service Charge	19.6	-	209,486	-	-
Deferred tax					
Relating to origination and reversal of temporary differences	19.2	(294,634)	230,654	118,545	20,657
		(273,284)	713,728	118,545	209,052

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
19.2 Deferred Tax Expense					
Income Statement					
Deferred tax expense arising from;					
Accelerated depreciation for tax purposes		308,844	289,829	94,733	27,313
Tax expense due to rate change		667,506	-	261,567	-
Employee benefit liabilities		26,934	(26,654)	25,427	(7,912)
Capitalisation of borrowing cost		(10,834)	-	-	-
Revaluation of investment property to fair value		6,319	1,696	7,245	1,696
Benefit arising from tax losses		(1,295,165)	(32,971)	(270,445)	-
Others		1,762	(1,246)	18	(440)
Deferred tax charged/(credited) directly to income statement	19.1	(294,634)	230,654	118,545	20,657
Deferred tax charged/(credited) directly to income statement					
Deferred tax assets	19.3	(662,224)	-	-	-
Deferred tax liabilities	19.3	367,590	230,654	118,545	20,657
		(294,634)	230,654	118,545	20,657
Other Comprehensive Income					
Deferred tax expense arising from;					
Actuarial gain/(loss) on employee benefit liabilities		33,251	5,331	29,130	3,605
Revaluation of buildings		137,976	27,420	35,147	4,837
Revaluation of land		97,815	19,770	97,815	19,770
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)	15,782	(154,220)	15,782
Deferred tax charged / (credited) directly to Other Comprehensive Income		194,483	68,303	53,824	43,994
Total deferred tax charged /(credited)		(100,151)	298,957	172,369	64,651

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
19.3 Deferred Tax Liabilities					
At the beginning of the year		1,756,840	1,457,883	628,002	563,351
Charge	19.2	367,590	230,654	118,545	20,657
Tax on Other Comprehensive Income	19.2	133,416	68,303	53,824	43,994
Transfer to deferred tax asset*		(328,660)	-	-	-
At the end of the year		1,929,186	1,756,840	800,371	628,002
19.3.1 Deferred Tax Assets					
At the beginning of the year		-	-	-	-
Transferred from deferred tax liabilities*		(328,660)	-	-	-
Net Charge/(release)	19.9	662,224	-	-	-
Tax on Other Comprehensive Income	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	1,522,212	1,945,500	564,578	469,845
Employee benefit liabilities	(146,334)	(176,497)	(70,202)	(95,629)
Losses available for offset against future taxable income	(665,465)	(365,864)	(270,445)	-
Tax effect on capital gain from investment property	15,184	8,865	16,110	8,865
Tax effect on actuarial gain/(loss)	22,683	(10,422)	20,779	(8,351)
Tax effect on capital gain from land	266,695	168,880	266,695	168,880
Tax effect on revaluation of buildings	241,729	184,596	115,031	79,884
Tax effect on gain on financial assets valued at fair value through OCI	(134,711)	19,509	(134,711)	19,509
Deferred tax on SLFRS 9 transitional adjustments	(14,561)	(14,561)	(14,561)	(14,561)
Tax charge on rate change	747,167	-	307,519	-
Tax effect on revaluation of buildings on leasehold land	(2,692)	(2,692)	-	-
Others	77,279	(474)	(422)	(440)
	1,929,186	1,756,840	800,371	628,002

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 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/(loss)	146	-	-	-
Tax effect on revaluation of buildings	80,843	-	-	-
Others	(86,825)	-	-	-
	(272,497)	-	-	-

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
19.4 Income Tax Liabilities					
At the beginning of the year		265,955	222,898	214,160	220,437
Charge for the year	19.5	-	254,173	-	168,980
Transfer to income tax recoverable		(51,795)	-	-	-
Under provision of current tax of previous years	19.5	-	19,415	-	19,415
Tax paid		(108,578)	(230,531)	(108,578)	(194,672)
At the end of the year		105,582	265,955	105,582	214,160

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
19.4.1 Income Tax Recoverable					
At the beginning of the year		2,797	212,283	-	-
Transferred from income tax liability		(51,795)		-	
Irrecoverable Economic Service Charge		-	(209,486)	-	-
Income tax refund claimed dueto brought forward tax losses on account of ECA from previous years	19.9	92,409	-	-	-
Tax paid		74,511	-	-	-
At the end of the year		117,922	2,797	-	-

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 (2022 – 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	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
19.5 Reconciliation between current tax charge and the accounting profit					
Profit before tax*		2,239,384	2,781,776	453,378	1,050,926
Dividend income from Group companies		-	-	814,637	592,799
Consolidation adjustments		949,971	580,191	-	-
Profit after adjustment		3,189,355	3,361,967	1,268,015	1,643,725
Exempt profits		(100,299)	(16,396)	(100,299)	(16,396)
Income not liable for income tax		(644,637)	(31,217)	(644,637)	(31,217)
Adjusted accounting profit chargeable to income taxes		2,444,419	3,314,354	523,079	1,596,112
Disallowable expenses		5,310,940	4,957,044	736,017	813,697
Allowable expenses		(8,425,210)	(10,040,190)	(2,160,579)	(1,351,982)
Qualifying payment deductions		-	(456)	-	(456)
Utilisation of tax losses	19.8	(117,656)	-	-	-
Taxable income		(787,507)	(1,769,248)	(901,483)	1,057,371
Income tax charged at					
Standard rate - 30%		-	-	-	-
Standard rate - 24%		-	12,653	-	12,121
Lower rates - 14% and 18%		-	241,520	-	156,859
Tax charge for the period		-	254,173	-	168,980
Under/(over) provision for previous years		-	19,415	-	19,415
Income tax refund claimed due to brought forward tax losses	19.9	(92,409)	-	-	-
15% Advanced Income Tax on intercompany dividends		113,759	-	-	-
Current tax charge		21,350	273,588	-	188,395

**Profit before tax excluding dividend income from Group companies.*

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
19.6 Reconciliation between tax expense and the product of accounting profit					
Adjusted accounting profit chargeable to income taxes		2,444,419	3,314,354	523,079	1,596,112
Tax effect on chargeable profits		752,202	626,023	156,924	265,954
Tax effect on non deductible expenses		53,305	32,188	27,167	8,370
Gratuity Transfers		(232)	(1,858)	-	(3,535)
Tax effect on deductions claimed		(841,272)	(346,902)	(461,711)	(153,462)
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)	72,310	-	72,310
Under provision for previous years		87,216	122,481	134,598	19,415
Irrecoverable economic service charge	19.4	-	209,486	-	-
Tax (expense) / reversal		(273,284)	713,728	118,545	209,052

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
19.7 Tax losses carried forward				
Tax losses brought forward	4,529,564	1,194,339	-	-
Tax losses arising during the year	4,439,651	3,300,089	901,483	-
Adjustments on finalisation of liability	(33,297)	35,136	-	-
Utilisation of tax losses	(117,656)	-	-	-
At the end of the year	8,818,262	4,529,564	901,483	-

Deferred tax asset of LogiPark International (Pvt) Ltd has not been recognised for the unused tax losses amounting to Rs. 3.2 billion in the Statement of Financial Position as at 31st March 2023.

These tax losses are to be expired in the years of assessment commencing from 2024/25 to 2031/32.

19.8 Applicable rates of income tax and deferred tax

Income tax and Deferred tax have been provided as per the Inland Revenue Act No. 24 of 2017 and any subsequent amendments thereto, including any amendments legislated by Inland Revenue (Amendment) Act No. 45 of 2022. The income tax liability of the Group and the Company is computed at the standard rate of 30% based on the Inland Revenue (Amendment) Act No. 45 of 2022 and 24% and other lower rates used where applicable before enacted the said act (2022- 24% and other lower rates where applicable).

The deferred tax charge in the Income Statement includes Rs. 668 million and Rs. 262 million for the Group and the Company respectively relating to the tax rate differential. The deferred tax charge in the Other Comprehensive Income statement includes Rs. 80 million and Rs. 46 million for the Group and the Company respectively relating to the tax rate differential. Income tax rate deferential has been presented under Tax Expense Note 19.2.

19.9 Enhanced Capital Allowance

The Colombo Ice Company (Pvt) Ltd (CICL) made amendments to its Returns of income tax filed for the years of assessment 2018/2019 to 2019/2020. These amendments were relating to the deduction of the Enhanced Capital Allowance (ECA) granted under Section 16 together with the second schedule (investment incentives) to the Inland Revenue Act, No. 24 of 2017, for its initial investment on depreciable assets amounting to Rs. 4,100 million. This recognition resulted in a tax loss of Rs 3,300 milion being carried forward as of 31st March 2023, which can be claimed against taxable profits of the CICLwithin the period of next six years.CICL recognized a asset on account of income tax payments made without deducting ECA for years of assessment 2020/2021, 2021/2022 & 2022/2023 and a deferred tax asset on carried forward tax loss amounting to Rs. 3,300 million.

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 (Private) 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 apllicable.

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
Others 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 2023 Rs.'000	Total 2022 Rs.'000
Group										
Cost or valuation										
At the beginning of the year	1,828,573	11,225,816	11,416,295	4,813,072	181,680	944,308	4,262,713	1,001,521	35,673,978	30,992,468
Additions	26,256	1,512,050	621,267	314,077	280,410	58,153	368,221	519,754	3,700,188	4,996,701
Acquisition of water plant	-	-	-	-	-	-	-	-	-	102,692
Disposal	-	(4,104)	(36,859)	(20,462)	(58,640)	(110,397)	(34,230)	(135,817)	(400,509)	(230,260)
Revaluations	431,590	354,375	-	-	-	-	-	-	785,965	238,870
Transfers*	8,680	284,580	291,613	22,293	9,258	46,807	61,597	(992,912)	(268,084)	(25,601)
Transfers (from revaluation adjustment)	(45,630)	(428,169)	-	-	-	-	-	-	(473,799)	(400,892)
At the end 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
Accumulated depreciation and impairment										
At the beginning of the year	(10,758)	(521,633)	(4,530,433)	(1,872,519)	(126,658)	(736,023)	(2,296,393)	-	(10,094,417)	(8,703,238)
Charge for the year	(49,429)	(570,136)	(781,806)	(269,327)	(275,905)	(57,047)	(373,073)	-	(2,376,723)	(1,984,755)
Disposal	-	2,609	29,817	19,045	34,268	110,409	33,630	-	229,778	192,684
Transfers*	31	-	-	(31)	-	-	-	-	-	-
Transfers (from revaluation adjustment)	45,630	428,169	-	-	-	-	-	-	473,799	400,892
At the end 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)
Carrying value:										
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	
As at 31 March 2022										
At valuation	1,698,877	7,802,544	-	-	-	-	-	-		9,501,421
At Cost	118,938	2,901,639	6,885,862	2,940,553	55,022	208,285	1,966,320	1,001,521		16,078,140
	1,817,815	10,704,183	6,885,862	2,940,553	55,022	208,285	1,966,320	1,001,521		25,579,561

**Transfers include, transfer from capital work in progress and between classes of assets, investment property and intangible 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 2023 Rs.'000	Total 2022 Rs.'000
Company										
Cost or valuation										
At the beginning of the year	1,828,573	50,835	3,555,828	220,279	180,954	944,307	3,258,683	84,084	10,123,543	9,211,179
Additions	26,256	-	53,638	23,679	-	44,310	230,109	265,499	643,491	836,507
Acquisition of water plant	-	-	-	-	-	-	-	-	-	102,692
Disposal	-	-	-	-	-	(110,397)	(21,239)	-	(131,636)	(128,525)
Revaluations	431,590	11,617	-	-	-	-	-	-	443,207	136,705
Transfers*	8,680	-	252,632	91	-	46,807	39,693	(347,903)	-	-
Transfers (from revaluation adjustment)	(45,630)	(1,977)	-	-	-	-	-	-	(47,607)	(35,015)
At the end 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
									-	
Accumulated depreciation and impairment										
At the beginning of the year	(10,758)	(706)	(2,497,754)	(82,717)	(125,933)	(736,022)	(1,793,198)	-	(5,247,088)	(4,857,575)
Charge for the year	(49,429)	(1,775)	(240,743)	(20,378)	(13,070)	(57,047)	(225,095)	-	(607,537)	(551,552)
Disposal	-	-	-	-	-	110,409	22,630	-	133,039	127,024
Transfers*	31	-	-	(31)	-	-	-	-	-	-
Transfers (from revaluation adjustment)	45,630	1,977	-	-	-	-	-	-	47,607	35,015
At the end of the year	(14,526)	(504)	(2,738,497)	(103,126)	(139,003)	(682,660)	(1,995,663)	-	(5,673,979)	(5,247,088)
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	
Carrying value:										
As at 31 March 2022										
At valuation	1,698,877	50,129	-	-	-	-	-	-		1,749,006
At Cost	118,938	-	1,058,074	137,562	55,021	208,285	1,465,485	84,084		3,127,449
	1,817,815	50,129	1,058,074	137,562	55,021	208,285	1,465,485	84,084		4,876,455

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 2022.

The valuations as of 31st December 2022 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 the 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 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		
			2023	2022	2023	2022	
Land and buildings							
Ceylon Cold Stores PLC	P.B.Kalugalagedara	Open market value method	Rs.250,000- Rs.300,000	Rs.200,000- Rs.225,000	-	-	Positive
Ceylon Cold Stores PLC	P.B.Kalugalagedara	Open market value method	-	-	Rs. 500 - Rs. 5,000	Rs. 500 - Rs. 4,500	Positive
Buildings on leasehold land							
Ceylon Cold Stores PLC	P.B.Kalugalagedara*	Open market value method	-	-	Rs. 500 - Rs. 5,000	*Rs. 750 - Rs. 5,000	Positive
Jaykay Marketing Services (Pvt) Ltd	P.B.Kalugalagedara	Investment method	-	-	Rs. 28- Rs. 265	Rs. 20 - Rs. 185	Positive
The Colombo Ice Company (Pvt) Ltd	P.B.Kalugalagedara	Open market value method	-	-	Rs. 2,500 - Rs. 9,000	Rs. 2,500 - Rs. 8,000	Positive

**Messers G.H.A.P.K Fernando carried out the valuation in 2021/22.*

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;

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Cost	10,620,758	9,082,452	675,521	649,265
Accumulated depreciation and impairment	(1,626,120)	(1,228,263)	(115,491)	(113,139)
Carrying value	8,994,638	7,854,189	560,030	536,126

20.4 Property, plant and equipment that have been fully depreciated and continue to be in use by the Group are as follows;

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Cost of fully depreciated assets	3,780,520	2,940,338	2,600,393	2,019,338

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.

As at 31st March	2023 Freezers Rs.'000	2023 Coolers Rs.'000	2023 Crates Rs.'000	2022 Freezers Rs.'000	2022 Coolers Rs.'000	2022 Crates Rs.'000
Cost	1,497,387	965,446	651,473	1,378,156	929,449	585,956
Accumulated depreciation and impairment	(639,492)	(496,116)	(583,973)	(542,715)	(432,379)	(575,592)
Carrying value	857,895	469,330	67,500	835,441	497,070	10,364

20.6 The Group's property, plant and equipment with a carrying value of Rs. 3,753 million (2022 - Rs. 1,876 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 period ended 31 March.

21.1.1 Right-of-Use Assets

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Right of Use Assets - Lease hold properties					
Cost					
At the beginning of the year		12,831,858	11,254,097	48,070	-
Additions		821,697	1,643,678	-	-
Acquisition of water plant	8.1	-	48,070	-	48,070
Derecognition		-	(113,987)	-	-
At the end of the year		13,653,555	12,831,858	48,070	48,070
Accumulated amortisation and impairment					
At the beginning of the year		(2,728,828)	(1,686,779)	(668)	-
Amortisation		(1,152,850)	(1,042,049)	(1,602)	(668)
At the end of the year		(3,881,678)	(2,728,828)	(2,270)	(668)
Carrying value		9,771,877	10,103,030	45,800	47,402

Set out below are the carrying amounts of lease liabilities and the movements for the period ended 31 March.

21.1.2 Lease Liabilities

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
At the beginning of the year		10,404,718	9,165,553	2,477	-
Additions		821,697	1,711,134	-	-
Acquisition of water plant	8.1	-	2,432	-	2,432
Transfers		(118,876)	(98,571)	-	-
Finance charge on lease liabilities		1,145,761	1,087,053	152	45
Disposals		-	(135,400)	-	-
Payments		(1,649,299)	(1,376,008)	(176)	-
Exchange loss		11,854	48,525	-	-
At the end of the year		10,615,855	10,404,718	2,453	2,477
Current		652,711	477,149	38	36
Non-current		9,963,144	9,927,569	2,415	2,441
Total lease liability at the end of the year		10,615,855	10,404,718	2,453	2,477

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:

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Amortisation expense of right-of-use assets	21.1.1	1,152,850	1,042,049	1,602	668
Interest expense on lease liabilities	21.1.2	1,145,761	1,087,008	152	45
Exchange loss	21.1.2	11,854	48,525	-	-
Total amount recognised in Income Statement		2,310,465	2,177,582	1,754	713

Expenses relating to short-term leases and leases of low value assets amounting to Rs. 142.9 million and Rs. 2.9 million (2022 - Rs. 65 million and Rs. 1.1 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. 1,649 million in 2023. (2022 - Rs. 1,376 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 2022.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted using Group accounting policy for property, plant and equipment.

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
22.1 Carrying value				
At the beginning of the year	317,250	300,295	317,250	300,295
Transferred from property, plant and equipment*	307,559	-	-	-
Net gain/(loss) from fair value remeasurement	21,063	16,955	24,148	16,955
At the end of the year	645,872	317,250	341,398	317,250
Freehold property	645,872	317,250	341,398	317,250
Carrying value	645,872	317,250	341,398	317,250

*On 31st December 2022, JMSL has recognized 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 and equipment as capital working 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 2022, 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 and investment method.

Property	Name of Chartered Valuation surveyor	Method of valuation	Sensitivity of unobservable inputs: Estimated price per perch 2023	Estimated price per perch 2022	Estimated price per square foot 2023	Estimated price per square foot 2022	Correlation to fair value
Ceylon Cold Stores PLC							
Land	P.B.Kalugalagedara	Open market value method	Rs.1,800,000	Rs.1,650,000	-	-	Positive
Building	P.B.Kalugalagedara	Open market value method	-	-	Rs.2,000	Rs.1,000 - Rs.2,000	Positive
Jaykay Marketing Services (Pvt) Ltd							
Leasehold property	P.B.Kalugalagedara	Investment method	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;

For the year ended 31st March	COMPANY 2023 Rs.'000	2022 Rs.'000
Rent Income	436	434
Direct operating expenses generating rental income	-	(1,116)

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 licence

Software licence 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 Licences	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 Licences Rs.'000	Software Purchased Rs.'000	Software Developed Rs.'000	Goodwill** Rs.'000	2023 Rs.'000	2022 Rs.'000
Group						
Cost						
At the beginning of the year	146,379	1,285,590	1,949,689	115,006	3,496,664	2,316,513
Additions	-	206,493	1,025,983	-	1,232,476	1,053,599
Transfers*	-	-	-	-	-	156,837
Disposals / De-recognition	-	(516)	-	-	(516)	(30,285)
At the end of the year	146,379	1,491,567	2,975,672	115,006	4,728,624	3,496,664
Accumulated amortisation						
At the beginning of the year	(13,017)	(498,831)	(162,625)	-	(674,473)	(375,385)
Amortisation	(9,698)	(192,722)	(211,248)	-	(413,668)	(299,092)
Transfers*	-	(39,475)	-	-	(39,475)	-
Disposals / De-recognition	-	36	-	-	36	4
At the end of the year	(22,715)	(730,992)	(373,873)	-	(1,127,580)	(674,473)
Carrying value						
As at 31 March 2023	123,664	760,575	2,601,799	115,006	3,601,044	-
As at 31 March 2022	133,362	786,759	1,787,064	115,006	-	2,822,191

As at 31 March	Software Licences Rs.'000	Software Purchased Rs.'000	Software Developed Rs.'000	2023 Rs.'000	2022 Rs.'000
Company					
Cost					
At the beginning of the year	4,104	43,613	431,221	478,938	230,771
Additions	-	-	551,655	551,655	248,167
At the end of the year	4,104	43,613	982,876	1,030,593	478,938
Accumulated amortisation					
At the beginning of the year	(2,868)	(28,578)	(29,408)	(60,854)	(25,657)
Amortisation	(510)	(4,465)	(46,615)	(51,590)	(35,197)
At the end of the year	(3,378)	(33,043)	(76,023)	(112,444)	(60,854)
Carrying value					
As at 31 March 2023	726	10,570	906,853	918,149	-
As at 31 March 2022	1,236	15,035	401,813	-	418,084

*Transfers include, transfer between classes of assets and reclassification to property, plant and equipment.

**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 2023.

Rs. 551 million (2022 - Rs. 248 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.

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.

Sensitivity of assumptions used

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	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cost of fully amortised intangible assets	156,287	95,198	25,287	24,198

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 2023 Rs.'000	COMPANY 2022 Rs.'000
24.1 Carrying value				
Investment in subsidiaries				
Unquoted ordinary shares				
Jaykay Marketing Services (Private) Ltd	202,239	100	1,022,892	1,022,892
The Colombo Ice Company (Private) Ltd	170,000	100	1,745,518	1,742,157
Logipark International (Private) Ltd*	105,875	100	-	-
Unquoted preference shares				
Jaykay Marketing Services (Private) Ltd**	80,000		200,000	200,000
			2,968,410	2,965,049

*Logipark International (Pvt) Ltd is a wholly owned Subsidiary of Jaykay Marketing Services (Private) Ltd.

**On 17 July 2013 the Company invested a sum of Rs. 200 million in Rs. 80 million 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 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
25.1 Non-current financial assets					
Loans to executives - Receivable between one and five years	25.2	395,138	297,223	196,278	152,021
Unquoted equity investments	25.3	6,277,679	7,205,811	6,277,679	7,205,811
Total non-current financial assets		6,672,817	7,503,034	6,473,957	7,357,832

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
25.2 Loans to executives					
At the beginning of the year		397,460	369,990	208,242	207,167
Loans granted		379,010	166,002	212,043	78,267
Recoveries		(263,921)	(138,532)	(151,372)	(77,192)
At the end of the year		512,549	397,460	268,913	208,242
Receivable within one year	28	117,411	100,237	72,635	56,221
Receivable after one year					
Receivable between one and five years		395,138	297,223	196,278	152,021
		512,549	397,460	268,913	208,242

As at 31st March	Number of shares No. '000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
25.3 Unquoted equity investments					
Waterfront Properties (Pvt) Ltd (WPL)*	539,286				
At the beginning of the year		7,205,811	7,047,990	7,205,811	7,047,990
Remeasurement gain/(loss) recognised for the year		(928,132)	157,821	(928,132)	157,821
At the end of the year		6,277,679	7,205,811	6,277,679	7,205,811

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 2023 was Rs. 11.64 (2021/22: Rs. 13.37). The Company shareholding in WPL as at the reporting date was 3.54% (2022 - 7.55%)

NOTES TO THE FINANCIAL STATEMENTS

25.3 Unquoted equity investments (Contd.)

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.

Details of the valuation as at 31st March 2022 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 7 years, with the Terminal Value based on an appropriate Terminal Growth Rate in line with the market.

- **Revenue and EBITDA Margins**

  Assumptions have been forecasted under scenarios of a base case and a sensitised case, with corresponding probabilities factored. A minority discount has also been considered given the Company's shareholding percentage in WPL. Whilst the base case scenario is based on the business plan under a normalised environment, the sensitised case is forecasted taking into account the possible continuation of macro-economic uncertainties prevalent at present in the country. Revenue and EBITDA margins have been adjusted for project specific aspects and the margin projections are based on an extrapolation of the existing operations in the market, independent market studies, as applicable, and the performance of similar properties regionally.

- **Discount Rate**

  The USD discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Sensitivity of assumptions used

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 the fair value of the asset recognised as at the end of the reporting period.

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.

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Prepaid staff cost*	149,472	44,002	96,878	21,605
Deposits	923,353	891,884	16,778	16,778
Prepaid rent and advances	13,180	70,840	-	-
	1,086,005	1,006,726	113,656	38,383

**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 spoilages, shelf – life of products and other industry factors.

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 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Raw materials		2,194,282	1,947,228	1,696,285	1,367,780
Work-in-progress		238,800	187,488	175,677	166,875
Finished goods and retail (supermarket) goods		11,081,051	6,452,738	887,671	358,011
Machinery spares		756,694	552,257	498,507	365,724
Other inventories		461,780	155,239	60,208	18,748
Provision for slow moving inventories	27.1	(242,227)	(220,069)	(81,808)	(85,397)
		14,490,380	9,074,881	3,236,540	2,191,741

27.1 Movement in the provision for slow-moving inventories

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
At beginning of the year	220,069	140,623	85,397	68,242
Charge for the year	22,158	79,446	(3,589)	17,155
	242,227	220,069	81,808	85,397

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 2023, Rs. 79 million and Rs. 69 million (In 2022, Rs. 90 million and Rs. 79.7 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 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Trade Receivables		4,964,983	4,065,892	2,348,183	2,200,875
Allowance for expected credit loss		(79,448)	(90,006)	(69,319)	(79,709)
		4,885,535	3,975,886	2,278,864	2,121,166
Deposits and other receivables		86,055	193,465	69,997	51,155
Loans to executives	25.2	117,411	100,237	72,635	56,221
		5,089,001	4,269,588	2,421,496	2,228,542

29 OTHER CURRENT ASSETS

Accounting policy

Group classifies all non financial current assets under other current assets.

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Pre-payments		316,375	244,865	10,050	12,120
Advances		196,984	446,350	109,169	255,626
Other receivables		694,239	816,709	812	-
		1,207,598	1,507,924	120,031	267,746

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	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 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			
	2023		2022	
	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	95,040	918,000
Subdivision of shares*	-	-	855,360	-
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.

*Subdivision of Shares

The Company received approval to subdivide 1 ordinary shares in existence into 10 ordinary shares at the Extraordinary General Meeting held on 22 February 2022. On this basis, the 95,040,000 shares in issue as at 25 February 2022 were subdivided into 950,400,000 shares.

32 REVENUE RESERVES

As at 31st March	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Retained Earnings	14,531,921	13,312,296	10,859,721	11,014,022
	14,531,921	13,312,296	10,859,721	11,014,022

33 OTHER COMPONENTS OF EQUITY

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Revaluation reserve on					
Land	33.1	946,855	831,205	946,855	831,205
Building	33.1	895,269	660,965	330,801	302,047
		1,842,124	1,492,170	1,277,656	1,133,252
Employee share option plan reserve	34	636,807	576,488	373,966	346,680
Fair value reserve of financial assets at FVOCI	33.2	1,148,411	1,808,000	1,148,411	1,808,000
		3,627,342	3,876,658	2,800,033	3,287,932

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	2023 Plan no 10 award 3	2022 Plan no 10 award 3	2021 Plan no 10 award 2	2020 Plan no 10 award 1	2019 Plan no 9 award 3
Dividend yield (%)	2.90	3.28	3.87	3.62	3.76
Expected volatility (%)	24.15	22.37	21.35	17.47	17.77
Risk free interest rate (%)	23.10	8.87	6.44	9.83	10.09
Expected life of share options (Years)	5.00	5.00	5.00	5.00	5.00
Weighted average share price at the grant date (LKR)	119.85	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	3.00	3.00	3.00	3.00	3.00
Weighted average fair value of options granted during the year (LKR)	39.95	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (LKR)	121.91	136.64	132.86	136.97	154.10
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2023)	121.91	136.34	132.86	136.97	154.14

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
At the beginning of the year		576,488	535,268	346,680	327,242
Share-based payments expense during the year		60,319	41,220	27,286	19,438
At the end of the year	33	636,807	576,488	373,966	346,680

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.

As at 31st March	GROUP 2023 No.	GROUP 2023 WAEP Rs.	COMPANY 2023 No.	COMPANY 2023 WAEP Rs.
Outstanding at 1 April	6,741,018	147.25	3,565,658	149.10
Granted during the year	1,815,000	124.42	801,00	124.35
Transfer in/(out)	20,677	-	(15,397)	154.10
Lapses/forfeited	(1,452,844)	172.42	(934,355)	172.11
Outstanding at 31 March	7,123,851	136.30	3,416,906	136.98
Vested as at 31 March	3,278,326	143.40	1,641,606	144.06

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

For the year ended 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
35.1 Movements				
At the beginning of the year	10,487,021	6,841,667	372,298	-
Cash movements				
Loans obtained	708,754	5,352,298	8,754	372,298
Repayments	(2,175,269)	(1,706,944)	(51,850)	-
Non cash movement				
At the end of the year	9,020,506	10,487,021	329,202	372,298
35.2 Total Borrowings				
Borrowings under non-current liabilities	6,850,410	8,307,738	227,802	316,434
Borrowings under current liabilities	2,170,096	2,179,283	101,400	55,864
	9,020,506	10,487,021	329,202	372,298

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	2023 Rs.'000	2022 Rs.'000
Ceylon Cold Stores PLC	Term loan	Fixed rate on clean basis	48 monthly installments commencing from August 2022 after one year grace period	196,400	221,245
Ceylon Cold Stores PLC	Term loan	Fixed rate on clean basis	48 monthly installments commencing from October 2022 after one year grace period	132,802	151,053
The Colombo Ice Company (Pvt) Ltd	Project loan	1 month cost of funds plus margin A corporate guarantee of Rs. 3.8 billion originally given has been expired due to full settlement of the term loan as at the reporting date	60 monthly installments commencing from March 2017 after a one year grace period	-	534,723
Jaykay Marketing Services (Pvt) Ltd	Term loan	Fixed rate on clean basis	20 equal quarterly instalments from March 2021	2,200,000	3,000,000
	Term loan	Fixed rate on clean basis	20 equal quarterly instalments from May 2021	1,200,000	1,600,000
	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	3,291,304	2,980,000
				9,020,506	10,487,021

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.

Other Long-Term Employee Benefits

A new Long-Term Incentive Plan (LTI) has been launched in 2018/19 for senior employees of the Group. The overall incentive was to be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five-year strategic plan in place.

The liability recognised in respect to Other Long Term Employee Benefits is measured at the present value of the estimated future cash outflows which are expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date.

The Board decided to cease the said plan as achieving the five-year strategic plan is uncertain. Therefore, the total provision has been reversed in the current financial year.

	Notes	GROUP		COMPANY	
As at 31st March		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
36.1 Employee benefit liabilities					
Employee defined benefit plan - gratuity	36.3	754,113	782,234	398,975	477,905
Other long-term employee benefits	36.4	-	120,672	-	77,369
At the end of the year		754,113	902,906	398,975	555,274

	Notes	GROUP		COMPANY	
For the year ended 31st March		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
36.2 Total employee benefit provisions and related costs					
Employee defined benefit plan - gratuity	36.3	150,017	137,338	67,669	66,268
Other long-term employee benefits	36.4	(120,672)	35,847	(77,369)	23,226
		29,345	173,185	(9,700)	89,494

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
36.3 Employee defined benefit plan - gratuity					
At the beginning of the year		782,234	722,944	477,905	477,206
Current service cost		80,436	80,133	23,222	27,115
Past service cost*		-	(1,269)	-	(466)
Interest cost on benefit obligation		69,581	58,474	44,447	39,619
		150,017	137,338	67,669	66,268
Acquisition of water plant	8.1	-	442	-	442
Transfers in / (out)		684	8,129	(1,923)	(53)
Payments		(67,544)	(59,297)	(47,577)	(45,929)
		(66,860)	(51,168)	(49,500)	(45,982)
(Gain)/loss arising from changes in assumptions		(111,278)	(27,322)	(97,099)	(20,029)
At the end of the year	36.1	754,113	782,234	398,975	477,905
The expenses are recognised in the income statement in the following line items;					
Cost of sales		93,141	93,090	37,025	39,629
Selling and distribution expenses		19,109	15,612	18,913	15,388
Administrative expenses		37,767	28,636	11,731	11,251
	36.2	150,017	137,338	67,669	66,268

*During the year 2021/22, the gratuity arrangement for employees were adjusted to reflect new legal requirement as per minimum retirement age of Workers Act No. 28 of 2021 regarding the retirement age. As a result of the plan amendment, the Group and the Company defined benefit obligation decreased by Rs. 1.3 million and Rs. 0.5 million respectively. Corresponding past service cost was recognised in profit or loss during the year 2021/22.

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	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
36.4 Other long-term employee benefits					
At the beginning of the year		120,672	84,825	77,369	54,143
Current service cost	36.2	(120,672)	35,847	(77,369)	23,226
At the end of the year	36.1	-	120,672	-	77,369

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	
As at 31st March	2023	2022	2023	2022
Discount rate	19.50%	9%-10%	19.5%	9%-10%
Future salary increases				
Executives	15%	8%	15%	8%
Non Executives	15%	8%-9%	15%	8%-9%
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	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Discount rate				
1% Increase	(3,946)	(36,733)	(14,232)	(23,407)
1% Decrease	5,949	35,282	15,338	25,819
Salary increment rate				
1% Increase	9,476	43,105	17,675	27,608
1% Decrease	(7,439)	(39,586)	(16,613)	(25,448)

NOTES TO THE FINANCIAL STATEMENTS

36.7 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years.

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Within the next 12 months	25,626	23,799	24,541	22,576
Between 1 and 5 years	143,220	325,404	138,990	159,170
Between 5 and 10 years	573,793	383,175	233,768	262,334
Beyond 10 years	11,474	49,856	1,675	33,825
Total expected payments	754,113	782,234	398,974	477,905
Weighted average duration (years) of defined benefit obligation	7.08	6.99	7.37	7.86

37 OTHER NON-CURRENT LIABILITIES

Accounting policy

Group classifies all non-financial non-current liabilities which comprises distributor deposits and deferred rent under other non-current liabilities.

Deposit on returnable containers and crates represent 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.

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Deposits with the Company	37.1	104,035	96,183	104,035	96,183
		104,035	96,183	104,035	96,183

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
37.1 Deposits with the Company					
At the beginning of the year		96,183	101,054	96,183	101,054
Deposits received during the year		6,001	12,294	6,001	12,294
Deposits settled during the year		(14,150)	(16,109)	(14,150)	(16,109)
Charge / (reversal) during the year*		16,001	(1,056)	16,001	(1,056)
		104,035	96,183	104,035	96,183

*During the year 2022/2023, 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 payable 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.

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Trade payables	11,424,935	9,226,048	833,321	1,185,699
Accrued expenses	1,571,245	1,660,240	456,288	626,243
Sundry creditors	1,330,123	1,466,899	791,264	903,065
	14,326,303	12,353,187	2,080,873	2,715,007

NOTES TO THE FINANCIAL STATEMENTS

39 OTHER CURRENT LIABILITIES

Accounting policy

Group classifies all non-financial current liabilities under other current liabilities.

As at 31st March	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Other taxes payable	700,825	465,242	349,885	399,054
Other payables*	213,965	283,776	-	-
Contract liabilities**	376,272	282,890	-	-
	1,291,062	1,031,908	349,885	399,054

*Other payables consists of loyalty awards points payable to customers, by the supermarkets segment of the Group.

**Contract liabilities includes, gift vouchers sold to customers by the supermarkets 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.

As at 31st March	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Bank borrowings*	1,185,340	2,000,000	237,178	-
	1,185,340	2,000,000	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 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 which ever is lower of the Group's Consolidated Audited Financial Statements as at 31st March 2022, 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 2022 audited Financial Statements, which requires additional disclosures in the 2022/23 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	Notes	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
41.1 Amounts due from related parties					
Ultimate Parent		-	-	-	-
Subsidiaries		-	-	238,885	198,059
Companies under common control		27,567	1,000	5,000	8,930
Equity accounted investees of Ultimate Parent		481	2,028	-	254
Key management personnel		-	-	-	-
	41.3	28,048	3,028	243,885	207,243

		GROUP		COMPANY	
As at 31st March	Notes	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
41.2 Amounts due to related parties					
Ultimate Parent		653,527	408,635	446,761	38,777
Companies under common control		355,952	295,434	4,880	11,356
Equity accounted investees of Ultimate Parent		859	-	-	-
Key management personnel		-	-	-	-
	41.4	1,010,338	704,069	451,641	50,133

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
41.3 Amounts Due from Related Parties					
Ultimate Parent					
John Keells Holdings PLC		-	-	-	-
Subsidiaries					
Jaykay Marketing Services (Pvt) Ltd		-	-	195,566	97,569
The Colombo Ice Company (Pvt) Ltd		-	-	43,210	100,308
LogiPark International (Pvt) Ltd		-	-	109	182
Companies Under Common Control					
Asian Hotels & Properties PLC		-	-	59	-
Beruwala Holiday Resorts (Pvt) Ltd		327	-	292	-
British Overseas (Pvt) Ltd		36	-	-	-
Ceylon Holiday Resorts Ltd		-	100	-	-
Cinnamon Hotel Management Ltd		37	213	-	-
Habarana Lodge Ltd		94	-	89	-
Habarana Walk Inn Ltd		160	8	157	-
Hikkaduwa Holiday Resorts (Pvt) Ltd		265	-	257	-
John Keells International (Pvt) Ltd		3	-	-	-
John Keells Office Automation (Pvt) Ltd		2,545	-	218	-
John Keells PLC		89	-	-	-
John Keells Teas Ltd		2	-	-	-
John Keells Warehousing (Pvt) Ltd		3	-	-	-
Kandy Walk Inn Ltd		308	1	-	-
Keells Hotel Management Services		283	-	1,923	8,930
Lanka Marine Services Ltd		1	-	-	-
Mack Air (Pvt) Ltd		2	-	-	-
Sancity Hotels & Properties Ltd		819	-	623	-
Trans Asia Hotels PLC		5,235	-	990	-
Trinco Holiday Resorts (Pvt) Ltd		398	1	392	-
Tranquility (Pte) Ltd		7,288	-	-	-
Travel Club (Pte) Ltd		5,118	-	-	-
Union Assurance PLC		1,000	-	-	-
Walkers Tours Ltd		66	-	-	-
Waterfront Properties (Pvt) Ltd		73	674	-	-
Whittall Boustead (Travel) Ltd		102	-	-	-
Yala Village (Pvt) Ltd		16	3	-	-
Nations Trust Bank PLC		3,297	-	-	-
Equity Accounted Investees of Ultimate Parent					
Fairfirst Insurance Ltd		-	40	-	74
DHL Keells (Pvt) Ltd		481	390	-	180
Nations Trust Bank PLC		-	387	-	-
South Asia Gateway Terminals (Pvt) Ltd		-	1,211	-	-
	41.1	28,048	3,028	243,885	207,243

As at 31st March	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
41.4 Amounts Due to Related Parties				
Ultimate Parent				
John Keells Holdings PLC	653,527	408,635	446,761	38,777
Subsidiary				
Jaykay Marketing Services (Pvt) Ltd	-	-	-	-
The Colombo Ice Company (Pvt) Ltd	-	-	-	-
LogiPark International (Pvt) Ltd	-	-	-	-
Companies Under Common Control				
Asian Hotels & Properties PLC	346	6,299	-	-
Habarana Lodge Ltd	-	44	3	44
Infomate (Pvt) Ltd	3,850	3,256	-	463
John Keells Information Technology (Pvt) Ltd	38,085	44,556	-	4,426
John Keells Logistics (Pvt) Ltd	70,736	33,365	3,109	2,141
John Keells Office Automation (Pvt) Ltd	-	16,493	-	90
John Keells Properties (Pvt) Ltd	8,795	631	-	-
John Keells Maldivian Resorts (Pvt) Ltd	-	421	-	421
Keells Consultants (Pvt) Ltd	45	295	-	172
Keells Food Products PLC	220,239	181,378	-	-
Mack International Freight (Pvt) Ltd	7,847	1,459	1,631	1,459
Mackinnons Travels (Pvt) Ltd	136	130	137	130
Trans Asia Hotels PLC	-	344	-	-
Whittall Boustead (Pvt) Ltd	5,873	6,763	-	2,010
Equity Accounted Investees of Ultimate Parent				
Fairfirst Insurance Ltd	859	-	-	-
	1,010,338	704,069	451,641	50,133

The Group and the Company held interest-bearing deposits of Rs. 31 million (2022 - Rs. 257 million) and Rs. 16 million (2022 - Rs. 252 million) respectively, at Nations Trust Bank PLC as at 31st March 2023. The Group did not hold any short-term borrowings (2022 - Rs. 2 billion) as at 31st March 2023. The Group and the Company held overdraft facilities of Rs. 446 million (2022 - Rs. 6 million) and Rs. 31 million (2022- Nill) respectively at Nations Trust Bank PLC as at 31st March 2023.

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.

For the year ended 31st March	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
41.5 Transactions with related parties				
Ultimate Parent - John Keells Holdings PLC				
Sale of goods	2,393	207	-	-
Receiving of services	481,942	369,276	121,349	109,216
Purchase of intangible assets	325,523	222,817	117,023	53,045
Subsidiaries				
Sales of goods	-	-	1,515,195	751,725
Purchase of goods	-	-	434,111	263,056
Receiving of services	-	-	44,551	47,258
Rendering of services	-	-	211,083	174,132
Guarantee income	-	-	3,361	5,304
Royalty income	-	-	304,216	194,948
Dividend received	-	-	814,637	592,799
Companies under common control				
Sales of goods	132,944	5,871	11,806	46
Purchase of goods	1,763,159	1,186,975	-	-
Purchase of property, plant and equipment / Intangible assets	170,058	147,051	-	2,490
Rendering of services	52,333	30,028	37,521	22,828
Receiving Services	1,451,924	1,159,511	164,456	74,379
Franchise Income Received	20,608	15,865	20,608	15,865
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	141,578	126,534	127,033	116,047
41.6 Transactions with related parties - Equity accounted investees of ultimate parent				
Sales of goods	7,844	9,567	-	-
Receiving Services	77,338	53,292	17,946	10,804
Interest received / (paid)	(260,363)	(112,809)	(44,185)	(3,936)
Rent received	8,810	2,509	-	-

41.7 Compensation of key management personnel

Key management personnel include members of the Board of Directors of the Group.

For the year ended 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Short-term employee benefits	166,627	113,814	85,169	55,826
Post employee benefits	3,505	2,083	1,691	990
Share based payment	34,920	21,956	16,883	10,207
	205,052	137,853	103,743	67,023

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 2023, 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 2023 is estimated at Rs. 36.5 million (2022 - 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.

As at 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Approved and contracted but not provided	1,664,364	2,563,901	25,040	193,737
Guarantees*	-	-	-	733,333
Total	1,664,364	2,563,901	25,040	927,070

*A Rs. 3.8 billion Corporate guarantee was given by the Company to a Commercial Bank on behalf of a term loan facility obtained by The Colombo Ice Company (Pvt) Ltd (CICL), a fully owned subsidiary of the Company. This Corporate guarantee expired in February 2023 due to full settlement of the term loan.

44 EVENTS AFTER THE REPORTING PERIOD

There were no material events occurring after the reporting period that require adjustment to or disclosure in the Financial Statements other than following;

Final Dividends

The Board of Directors has approved the payment of a final dividend of Rs. 0.44 per share to be paid on or before 19th June 2023.

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 divined.

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 2023.

YOUR SHARE IN DETAIL

Ordinary Shareholding

Number of Ordinary Shares	950,400,000

Distribution of Shareholders

Shareholding Range	31st March 2023 No. of Shareholders	31st March 2023 No. of Shares Held	31st March 2023 %	31st March 2022 No. of Shareholders	31st March 2022 No. of Shares Held	31st March 2022 %
Less than or equal to 1,000	1,646	488,826	0.05	1,515	445,905	0.05
1,001 to 10,000	979	4,326,766	0.46	926	4,120,888	0.43
10,001 to 100,000	516	19,341,209	2.04	498	18,921,987	1.99
100,001 to 1,000,000	210	61,740,809	6.50	207	61,623,900	6.49
Over 1,000,001	25	864,502,390	90.96	25	865,287,320	91.04
	3,376	950,400,000	100.00	3,171	950,400,000	100.00

Shareholding Range	31st March 2023 No. of Shareholders	31st March 2023 No. of Shares Held	31st March 2023 %	31st March 2022 No. of Shareholders	31st March 2022 No. of Shares Held	31st March 2022 %
John Keells Holdings & Subsidiaries	2	773,212,040	81.36	2	773,212,040	81.36
Others	3,374	177,187,960	18.64	3,169	177,187,960	18.64
Total	3,376	950,400,000	100.00	3,171	950,400,000	100.00
Sri-Lankan Residents	3,247	866,394,011	91.16	3,043	862,365,900	90.74
Non Residents	129	84,005,989	8.84	128	88,034,100	9.26
Total	3,376	950,400,000	100.00	3,171	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	4	855,820	0.09
Public*	3,368	176,286,140	18.55	3,165	176,332,140	18.55
Total	3,376	950,400,000	100.00	3,171	950,400,000	100.00

**Percentage of the shares held by the public as at 31st March 2023 is 18.55%. Company had a float adjusted market capitalisation of Rs. 7.05 billion and 3,368 public shareholders as at 31st March 2023. 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	2023 No. of Shares Held	2023 % of Issued Capital	2022 No. of Shares Held	2022 % of Issued Capital
1	John Keells Holdings PLC	671,558,120	70.66	671,558,120	70.66
2	Whittal Boustead (Pvt) Ltd	101,653,920	10.70	101,653,920	10.70
3	GF Capital Global Limited	21,592,410	2.27	21,042,410	2.21
4	BBH Luxfidelity Funds-Pacific	17,686,730	1.86	17,686,730	1.86
5	CITI Bank Newyork S/A Norges Bank Account 2	12,637,395	1.33	11,631,090	1.22
6	JPMCB NA- Fidelity Asian Values PLC	7,726,110	0.81	7,726,110	0.81
7	Caceis Bank, Luxembourg Branch	3,285,284	0.35	-	-
8	Sisira Investors Limited	2,591,320	0.27	2,591,320	0.27
9	Deutsche Bank AG Singapore A/C 2	2,409,870	0.25	2,409,870	0.25
10	Life Insurance Corporation (Lanka) Ltd	1,944,120	0.20	1,944,120	0.20
11	J B Cocoshell (Pvt) Ltd	1,733,272	0.18	787,230	0.08
12	Est of Late M Radhakrishnan (Deceased)	1,692,560	0.18	1,692,560	0.18
13	Mrs. J R Printer (Deceased)	1,679,360	0.18	1,679,360	0.18
14	Hatton National Bank PLC-Senfin Growth Fund	1,627,050	0.17	1,627,050	0.17
15	Rubber Investment Trust Ltd Account 01	1,570,000	0.17	150,000	0.02
16	Merrill J Fernando & Sons (Pvt) Ltd	1,508,480	0.16	1,508,480	0.16
17	BNPP SIN-BNP Paribas Securities Services as trustee of Harvest Funds Series (Hongkong) - Asia Frontier Equity Fund	1,487,600	0.16	1,517,600	0.16
18	Deutsche Bank AG as trustee for JB Vantage Value Equity Fund	1,411,390	0.15	1,231,390	0.13
19	Mr. M V Theagarajah	1,335,480	0.14	1,335,480	0.14
20	Ceylon Guardian Investment Trust PLC Account 02	1,325,463	0.14	541,780	0.06

As at 31 March	2023		2022	
Share Prices (Rs.)				
Beginning of the year	38.90		62.18	
Highest for year	47.00	(09.09.2022)	78.85	(25.01.2022)
Lowest for year	24.00	(07.07.2022)	37.00	(30.03.2022)
As at 31 March	40.00		38.90	

DECADE AT A GLANCE

GROUP

Year ended 31st March	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	2014 Rs`000
Trading results										
Gross revenue*	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	26,330,083
Profit from operating activities	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	1,541,245
Profit before taxation	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	1,545,188
Taxation	273,284	(713,728)	(36,278)	(931,971)	(732,483)	(1,182,903)	(1,536,845)	(1,177,596)	(621,170)	(327,471)
Profit after taxation	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	1,217,717
As at 31 March										
Assets, equity and liabilities										
Property, plant & equipment	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	5,446,846
Investment property	645,872	317,250	300,295	296,422	254,034	228,601	207,042	111,404	94,457	85,482
Investment in associate	-	-	-	-	-	-	6,029,201	5,886,679	5,362,161	5,262,414
Right of Use Assets - Leasehold Properties	9,771,877	10,103,030	9,567,318	7,997,183	-	-	-	-	-	-
Other non-current assets	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	560,011
Total non-current assets	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	11,354,753
Net current assets	(10,621,937)	(8,233,402)	(9,330,268)	(10,531,394)	(8,314,480)	(2,154,067)	(375,187)	906,782	471,249	(201,234)
	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	11,153,519
Long term right of use Lease Liability	9,963,144	9,927,569	8,827,562	7,392,687	-	-	-	-	-	-
Long-term interest-bearing loans and borrowings	6,850,410	8,307,738	5,141,667	958,333	1,458,333	1,958,333	129,525	15,000	84,073	185,337
Other non-current liabilities	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	967,966
Net assets	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	10,000,216
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	3,627,342	3,876,658	3,501,719	3,200,137	3,029,785	1,196,142	2,168,837	1,682,641	974,395	795,699
General reserve	-	-	-	-	-	-	-	-	646,000	646,000
Retained profits	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	7,640,317
Shareholder's funds	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	10,000,216

**Gross revenue includes output VAT*

KEY FIGURES & RATIOS

RATIOS & OTHER INFORMATION - GROUP

Year ended 31st March	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Dividend per Share (Rs.) - Paid	1.19	1.20	1.70*	20.00	15.00	15.00	32.00	18.00	11.00	4.00
Dividend Payout (%)	44.91	55.15	69.10	89.02	108.77	55.53	85.61	59.51	68.53	31.22
Net Assets per Share (Rs.)**	20.07	19.05	17.66	16.63	16.20	14.40	13.88	13.00	11.21	10.52
Market Value per Share (Rs.)	40.00	38.90	62.18*	655.00	575.00	950.00	811.00	430.00	298.20	140.70
Debt / Equity Ratio (%)	118.02	98.92	145.88	129.32	71.61	40.50	7.57	5.41	6.65	14.50
Interest Cover (No.of Times)	1.51	2.32	2.29	2.62	4.03	113.50	701.08	336.57	35.59	11.06
Earnings per Share (Rs.)	2.64	2.18	2.46*	22.47	13.79	27.01	37.38	30.25	16.05	12.81
Price Earnings Ratio (No.of Times)	15.13	17.88	25.27	29.15	41.70	35.17	21.70	14.22	18.58	10.98
Current Ratio (No.of Times)	0.68	0.66	0.57	0.51	0.55	0.82	0.95	1.15	1.10	0.95
Return on Total Assets (%)	3.72	3.49	4.53	4.98	3.90	9.87	16.80	15.83	9.51	8.00
Return on Equity (%)	13.40	11.76	14.33	13.41	8.84	18.85	26.95	24.53	14.62	9.69
Dividend Yield (%)	2.97	3.08	2.73	3.05	2.61	1.58	3.95	4.19	3.69	2.84
Earnings Yield (%)	6.61	5.59	3.96	3.43	2.40	2.84	4.61	7.03	5.38	9.11

**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	2023 NBV/ Valuation Rs`000	2022 NBV/ Valuation Rs`000
Ceylon Cold Stores PLC						
Kaduwela	22	350,569	27.35	-	2,234,943	1,817,815
Trincomalee	3	18,102	1.06	-	341,398	317,250
Kotagala	6	13,354	-	0.71	105,771	97,531
Jaykay Marketing Services (Pvt) Ltd						
Improvements to buildings on leasehold properties	132	1,469,418	-	120.40	17,553,049	16,558,631
The Colombo Ice Company (Pvt) Ltd						
Avissawella	9	182,937	-	9.30	1,836,938	1,694,225
LogiPark International (Pvt) Ltd						
Kerawalapitiya	1	240,000	-	9.36	2,864,152	2,456,826
Consolidated value of land and buildings, right-of-use assets and investment properties	173	2,274,380	28.41	139.77	24,936,251	22,942,278

GLOSSARY OF FINANCIAL TERMINOLOGY

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

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt including lease liabilities.

CURRENT RATIO
Current Assets divided by Current Liabilities

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

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 - Cash

FVOCI
Fair Value through Other Comprehensive Income

INTEREST COVER
Profit on Operating Activities over Finance Expenses. (Gains from lease rights forgone is excluded from Profit on Operating Activities).

LONG-TERM DEBT TO TOTAL DEBT
Long-Term Loans as a percentage of Total Debt

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

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

GLOSSARY OF FINANCIAL TERMINOLOGY

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

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

QUICK RATIO
Cash + Short-Term Investments + Trade and Other Receivables divided by Current Liabilities

RETURN ON ASSETS (ROA)
Profit After Tax divided by Average Total Assets

RETURN ON EQUITY (ROE)
Consolidated Profit After Tax and Minority Interest (gain from lease rights forgone and change in Fair Value of Investment Property are excluded) as a percentage of Average Shareholders' Funds

RETURN ON CAPITAL EMPLOYED (ROCE)
Earnings Before Interest and Tax (gains from lease rights forgone is excluded) as a percentage of Capital Employed

SHAREHOLDERS' FUNDS
Total of Issued and Fully Paid Share Capital, Capital Reserves and Revenue Reserves

TOTAL ASSETS
Fixed Assets + Investments + Non Current Assets + Current Assets

TOTAL DEBT
Shareholders' funds plus non-controlling interests and debt excluding lease liabilities.

TOTAL DEBT / TOTAL ASSETS
Total Debt divided by Total Assets

WORKING CAPITAL
Trade Receivables + Inventory + Amount due from Related Parties - Trade and Other Payables - Amount due to Related Parties

NOTICE OF MEETING

Notice is hereby given that the 126th Annual General Meeting (Meeting) of Ceylon Cold Stores PLC (Company) will be held as a virtual meeting on Monday, 26th June 2023 at 11.00 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 2023, with the Report of the Auditors thereon.
3. To re-elect as a Director, Mr. D P Gamlath who retires by rotation in terms of Article 84 of the Article of Association of the Company. A brief profile of Mr. D P Gamlath is contained in the Board of Directors section of the Annual Report.
4. To re-elect as a Director Mr. J G A Cooray who retires by rotation in terms of Article 84 of the Article of Association of the Company. A brief profile of Mr. J G A Cooray 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 has attained 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 70 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 2023/24 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 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 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

22nd May 2023

NOTICE OF MEETING

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Mr. Gihan Samarakkody +94 772756890 during normal office hours (8.30 a.m. to 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 send a written request to No.148, Vauxhall Street, Colombo 2 or facsimile No. +94 11 2447422 by filling the request form 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 meeting 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 2439037 not less than 48 hours before the Meeting.

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 Meeting 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 Meeting, 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 126th Annual General Meeting of the Company to be held on Monday 26th June 2023 at 11:00 a.m and 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
1. To re-elect as a Director Mr. D P Gamlath who retires in terms of Article 84 of the Articles of Association of the Company		
2. To re-elect as a Director Mr. J G A Cooray 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 has attained the age of 70 years and who 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 Three (2023)

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 2439037 not later than 48 hours before the time appointed for the convening of the meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the 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.

Tel: +94 11 2318798

Fax : +94 11 2447422

E-mail : info.ccs@keells.com

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
201, De Saram Place,
P.O.Box 101,
Colombo 10, Sri Lanka.

INTERNAL AUDITORS
PricewaterhouseCoopers

Chartered Accountants
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 Ceylon
Bank of China
Commercial Bank of Ceylon PLC
Citibank N.A
Deutsche Bank AG
Hattion 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

Designed & produced by
emagewise
Digital plates and Printing by Printel (Pvt) Ltd

CEYLON COLD STORES PLC
148, Vauxhall Street, Colombo 2, Sri Lanka.
Telephone: 0112318798,
Fax: 0112447422
E Mail: info.ccs@keells.com
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