Ceylon Cold Stores PLC (PQ4)

Annual Report 2012/2013

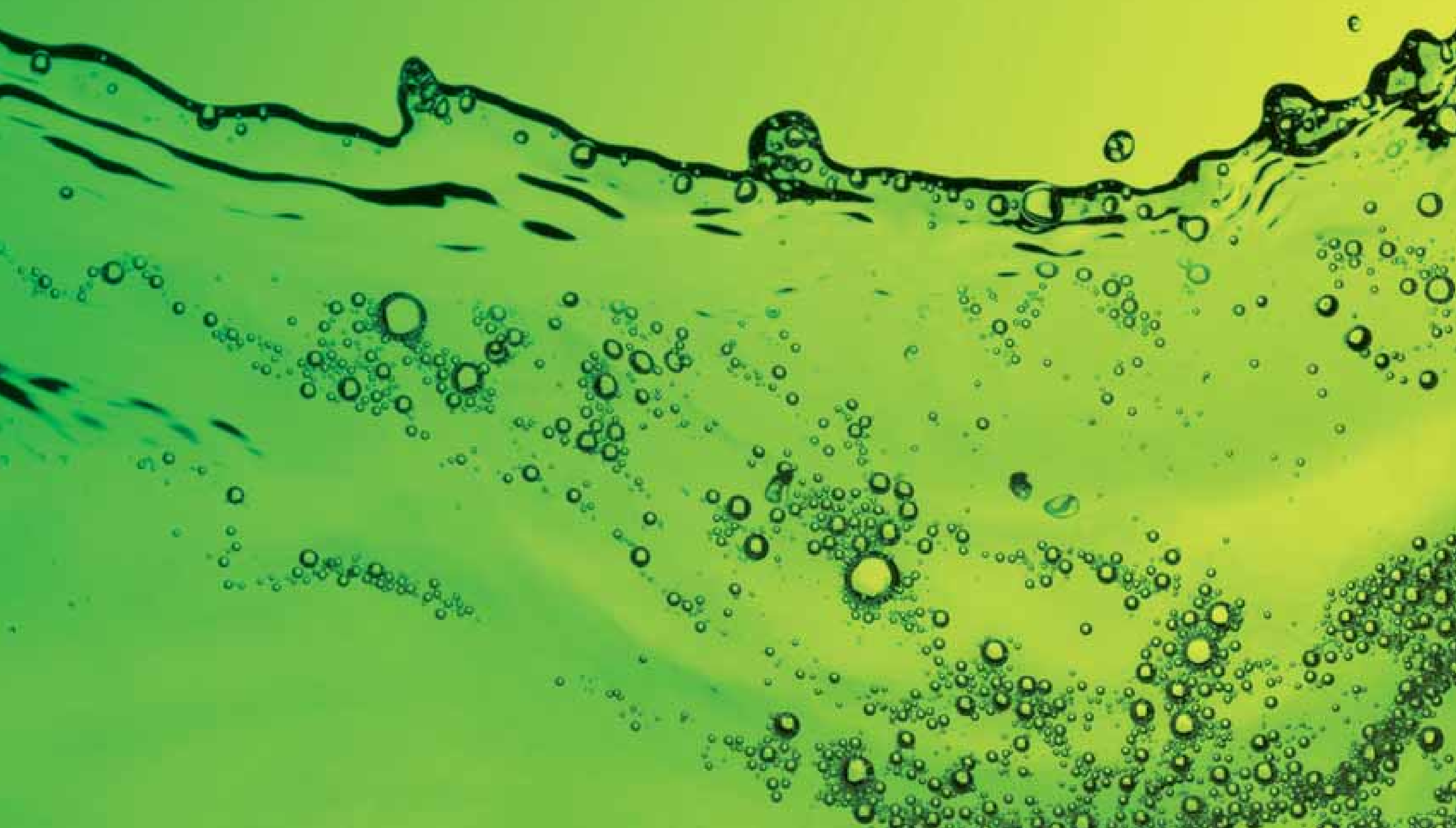
CONTENTS

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

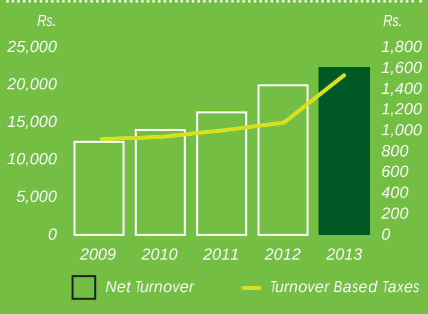
We believe that life should be celebrated, and full of energy; full of the best that it has to offer. And we provide just that with our ever expanding and dynamic range of innovative products that have been refreshing people for many years. As a brand synonymous with taste, goodness and youthful presence in the market, our strategy for the future is as bold and dynamic as our portfolio. And as we celebrate another year of delivering wholesome goodness to Sri Lankans all over the island, we look forward to the year ahead as one filled with opportunity. So live it up with our taste of fun and excitement as we continue to enliven your life.

Live It Up!

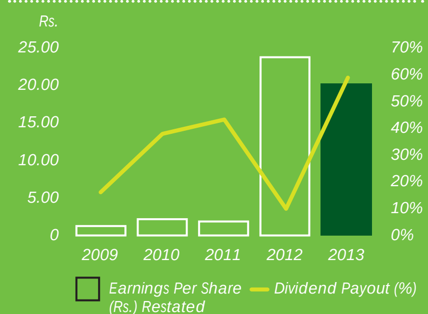


FINANCIAL HIGHLIGHTS

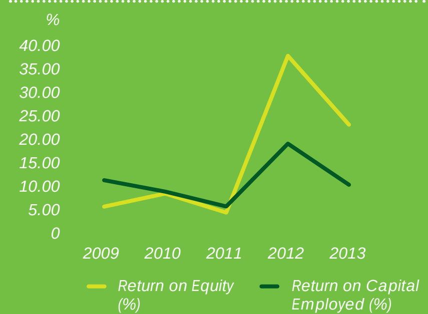
Net Revenue & Revenue to State



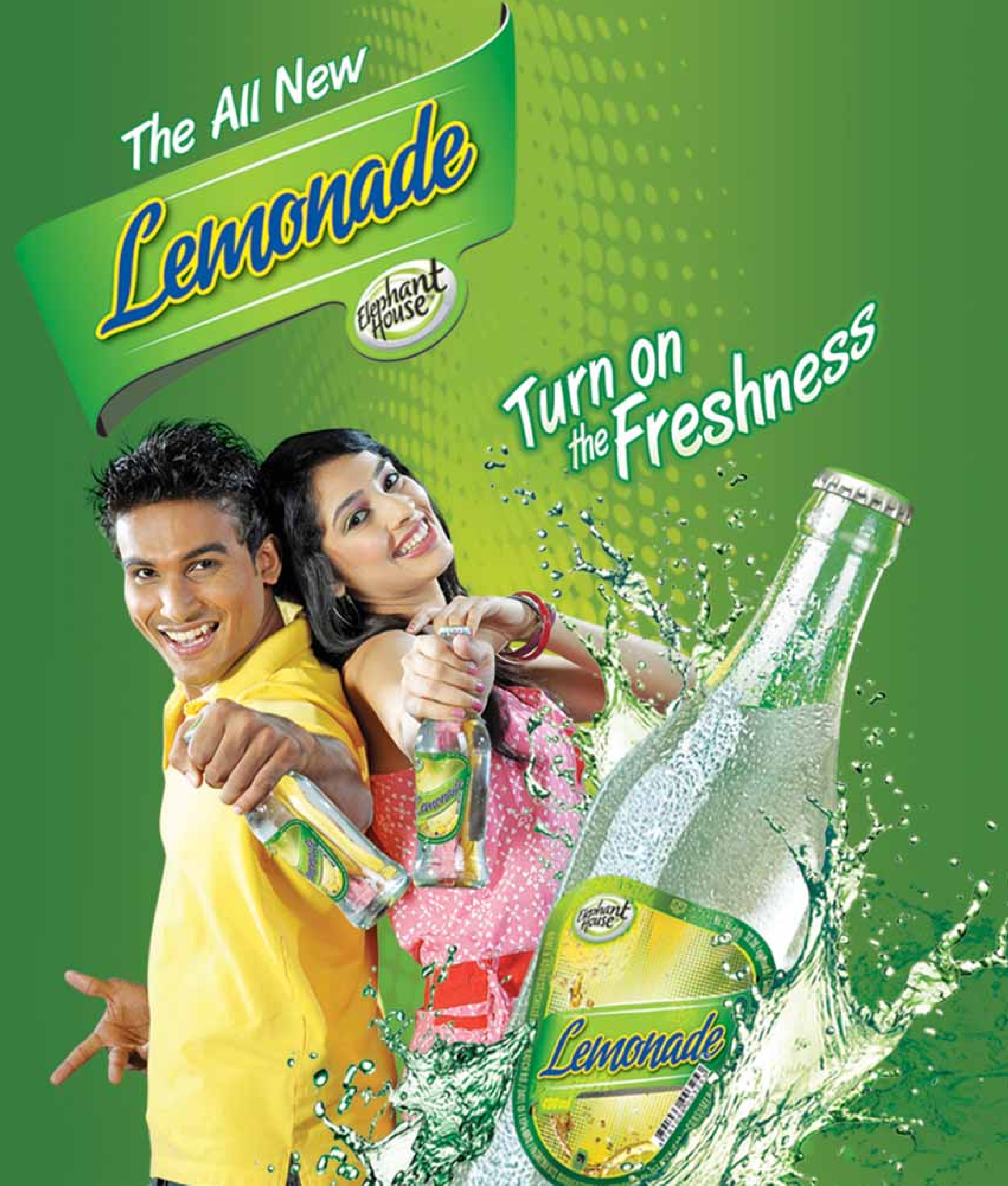
Earnings Per Share Vs Dividend Pay Out %



ROE Vs ROCE



GROUP		2013 Rs.'000	2012 Rs.'000	% Change
Earnings Highlights and Ratios				
Revenue	Rs.'000s	22,476,066	20,190,811	11.32
Results from operating activities	Rs.'000s	1,064,113	1,511,692	(29.61)
Profit before Tax	Rs.'000s	2,260,768	2,541,860	(11.06)
Profit after Tax	Rs.'000s	1,915,717	2,235,453	(14.30)
Earnings per Share	Rs.	20.16	23.66	(3.50)
Interest Cover	No. of Times	10.52	16.53	(6.01)
Return on Total Assets	%	14.30	20.70	(6.47)
Return on Capital Employed	%	11.02	20.00	(12.05)
Financial Position Highlights and Ratios				
Total Assets	Rs.'000s	14,834,809	11,954,660	24.09
Total Debt	Rs.'000s	1,530,795	1,319,242	16.04
Net Debt	Rs.'000s	1,042,987	1,092,091	(4.50)
Total Shareholders' Funds	Rs.'000s	9,175,487	7,283,922	25.97
Net Assets per Share	Rs.	96.54	76.64	19.90
Debt/Equity	%	16.68	18.11	(1.00)
Debt/Total Assets	%	10.32	11.04	(1.00)
Market / Shareholder Information				
Market Price of Share as at 31st March	Rs.	135.90	90.00	45.90
Market Capitalisation	Rs.'000s	12,915,936	8,553,600	51.00
Earnings per share	Rs	20.16	23.66	(14.80)
Price Earnings Ratio (PER)	No. of Times	6.74	3.80	77.24
Dividends per Share (Gross) - Paid	Rs.	4.00	4.00	-
Dividends Payout Ratio	%	0.20	0.17	17.38
Dividend Yield	%	2.94	4.44	(33.77)
Other				
Total Value added		5,939,972	6,020,803	(1.34)
Government		1,970,533	1,912,283	3.05
Employees		2,053,922	1,880,462	9.22
Paid to shareholders as Dividend		380,174	86,414	339.94
Retained within the Business		1,535,343	2,141,644	(28.31)


The All New
Lemonade
Elephant House
Turn on the Freshness
Elephant House
Lemonade

A Love Affair

CHAIRMAN'S REVIEW

Elephant House Cream Soda won the 'People's FMCG Beverage Brand of the Year' awarded by Sri Lanka Institute of Marketing for the 7th consecutive time and the 'Youth Beverage of the Year' award for the first time. Both accolades were awarded based on an Island wide people's poll conducted by the Neilson's Company.

I am pleased to present the Annual Report and the Audited Financial Statements for the financial year ended 31st March 2013. During the year under review, the performance of the Company was impacted as a result of the challenging economic and market conditions prevalent throughout most of the year. Cost escalations and the resultant reduction in discretionary consumer spending marred the performance of the FMCG industry in general. In spite of the environment, we continued to invest in our brands, improving our sales and distribution processes.

The Elephant House Brand

The conversion of the iconic 400ml glass bottle to the new design has now been extended to three of our major flavours. Consumer feedback is very positive and conversion of the rest of the flavours will be carried out as per our plan. Elephant House Cream Soda won the 'People's FMCG Beverage Brand of the Year' awarded by Sri Lanka Institute of Marketing for the 7th consecutive time and the 'Youth Beverage of the Year' award for the first time. Both accolades were awarded based on an island wide people's poll conducted by the Neilson's Company.

Since the introduction of the novelty ice cream product range with new packaging, the brand has a clear lead over competition in sales volumes and top of the mind recall.

The recent investments by the Company in capacity building will ensure that the anticipated growth in volumes in the medium term can be managed within the existing infrastructure. The Company invested in a new freezer facility for ice cream storage and the installation of production machinery to improve operational efficiencies, whilst investments made in the new finished goods warehouse for storage of soft drinks has yielded benefits in terms of improving the efficiency of serving our distributors at a lower cost.

I am pleased to mention that our dealer management system is now upgraded with new software, providing us with better visibility of our sales and distribution channels to improve productivity. The system generates invaluable information which would contribute towards increasing the level of availability of product and reach across the island. The dealer network for soft drinks is approximately 90,000 outlets, while ice creams reach approximately 30,000 outlets.

Refurbishment and remerchandising of supermarkets

JayKay Marketing Services (Pvt) Ltd., our wholly-owned subsidiary which operates the "Keells Super" super marketing chain executed a remerchandising and refurbishment programme at all its stores. The Company also invested in resources to improve the operational efficiencies in the business. The initial response from the customers to the change has been positive with outlets recording a healthy growth post remerchandising.

During the year 2012/2013, the Retail business opened four new supermarkets in Kalubowila, Havelock Road, Maharagama and Kapuwatte Ja ela.

Retail incurred a significant one off cost on the refurbishment and remerchandising programme during the year.

Value Added Tax Implication

The Government, through the 2013 Budget Proposals, introduced a Value Added Tax (VAT) on retailers with a turnover of over Rs. 500 million per quarter. There were no transitional provisions made available for the claiming of input VAT on the closing stocks as at 31st December 2012, resulting in a significant 'one-off' charge, a majority of which has materialised in the 4th quarter.

Challenges

The carbonated soft drinks industry as a whole and the Company was impacted due to a drastic increase in excise duty by 50 percent. Increases in duties on key raw materials and a fuel price escalation affected the margins as the full impact was not passed onto the consumers. Prudent cost management initiatives were taken to minimise the impact on profitability.

During the year, the curtailment of credit by the banks impacted the working capital funding of our distributors, adversely impacting their profitability as well as their capacity to trade. In order to selectively develop regional markets, the Company had to amend its credit policy. This is being closely monitored to keep our exposure at manageable levels.

Financial Performance

Amidst challenging conditions in the year under review, revenues grew by 3 percent to Rs. 8.5 billion. The Company recorded a Profit after Tax of Rs. 848 million excluding the gain recorded on the revaluation

CHAIRMAN'S REVIEW CONTD.

of investment property. Including the gain of Rs. 1.3 billion due to the revaluation of investment property in Colombo, the Company posted a profit after tax of Rs. 2.1 billion as compared to Rs. 2.2 billion in the previous year which also included a gain on revaluation of investment property of Rs. 1.1 billion.

The Retail business recorded strong growth in same store sales while the one-off restructuring cost and the VAT impact on closing stocks impacted the bottom line.

Consequently the wholly owned Subsidiary posted a loss after tax of Rs. 207 million as compared to the profit after the tax of Rs. 11 million in the previous year.

Dividends

Your Board has approved the payment of a first and final dividend of Rs. 4.00 per share for the year under review resulting in a payment of Rs. 380.1 million, similar to the dividend paid in the previous year.

Sustainable Development

We continued with our triple bottom line approach to sustainability, making a conscious effort to operate the business in an economically, environmentally and socially sustainable manner. Projects were carried out to conserve water through recycling and to save energy. Monitoring of levels of effluent, emissions and waste to minimise the impact on the environment was given high priority. The farmer out-grower initiatives of the Company contributed immensely towards the development of rural communities. Progression made during the year in all aspects of sustainable development is elaborately discussed in the sustainability section of this Annual Report.

Future

At a Company level as result of the investments made on the expansion of our laboratory and product development facilities, we have developed the ability to collaborate with overseas research agencies to improve on our product ingredients, formulations and new product developments. Zero calorie versions of some of our flavours and a few fruit-based drinks are ready for launch in the ensuing financial year.

We also intend to add more outlets to our chain of supermarkets in the new financial year.

The high cost of energy is a concern and will continue to impact our margins whilst in all our businesses various energy saving measures have been implemented to reduce the impact on profitability.

In Appreciation

On behalf of the Board, I wish to express my sincere gratitude to all our loyal distributors who have remained with us during a challenging year. I take this opportunity to thank our employees whose efforts have helped us post reasonably satisfactory results. I acknowledge all stakeholders for having confidence in us and look forward to your continuous support in the future as well. I am thankful for the support and guidance provided by my colleagues on the Board.

Susantha Ratnayake
Chairman

27th May 2013


Elephant House™
Orange Crush
In a new
Orangelicious shape

MANAGEMENT DISCUSSION & ANALYSIS

The Fast Moving Consumer Goods (FMCG) industry in which we operate felt the shock waves of the prevailing low purchasing power. Despite the stark realities of this economic uncertainty, Ceylon Cold Stores (CCS) posted a strong operational and financial performance in its market segments.

A Challenging Year

The year 2012/13 proved to be challenging in more ways than one. The Sri Lankan economy, which took off on a positive note at the beginning of 2012/13, slowed down significantly towards the last quarter, with GDP growth sliding down to 4.8% compared to 8.3% in the corresponding quarter of the previous year. A decline in the agricultural sector due to severe drought followed by floods were the main contributory factors for the slowdown in the GDP growth rate. These factors coupled with the tightening of monetary policy by the Central Bank during the latter part of the year resulted in higher interest rates and, thereby, a greater squeeze on profit margins. The resultant increase in food prices and general inflation impacted the cost of living for the general public. Further, consumer spending and business confidence were negatively impacted due to these discouraging economic conditions.

As prices of FMCG goods rose on the back of the depreciation of the rupee, the Fast Moving Consumer Goods (FMCG) industry in which we operate felt the shock waves of the prevailing low purchasing power. Despite the stark realities of this economic uncertainty, Ceylon Cold Stores (CCS) posted a strong operational and financial performance in its market segments.

As Sri Lanka's largest soft drinks and ice cream operation, we were able to sustain our market share during the year, expanding our reach across the island. This growth was achieved through innovative products, persuasive marketing communications and engaging with our consumers.

CCS enjoys a significant share of the soft drinks and the frozen confectionery market in the country, backed by our parent, John Keells Holdings PLC, a premier blue-chip company in Sri Lanka. Despite the brand's longevity, Elephant House has kept abreast of evolving trends and retains its relevance to new consumers too.

Undeterred by multiple challenges on as many fronts, the Company was successful in achieving profitability mainly through improvements in productivity, cost control and distributor efficiencies. Unfortunately, due to the unprecedented increase in raw materials prices, we were compelled to increase prices of our products to mitigate some of the cost increases and inflationary pressures. However, we took some bold steps during the year to streamline our operations.

Investments

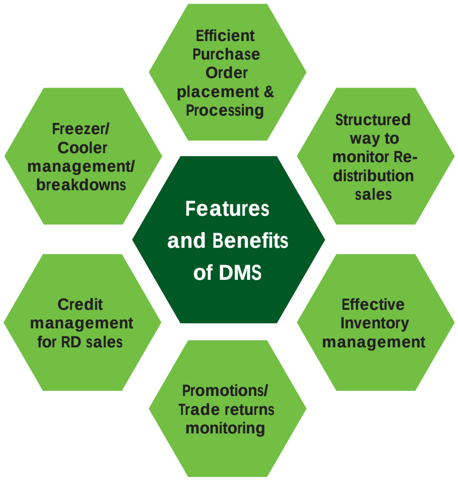
A new cold room was commissioned during this period at our factory premises, which provided additional storage capability to eliminate the need for third party facilities. Greater efficiency in distribution, reduction in transport cost, process efficiency in terms of handling and storage, and improved product quality and efficient energy management are the direct benefits of the cold room investment.

As part of a holding Company which is reputed for its sustainability commitment and dedication to minimising its carbon footprint, CCS expects to also derive environmental benefits from this initiative. In tandem with the cold room, we further enhanced capacity at the ice cream factory by installing new processing equipment to increase capacity of the take home packs.

Sophisticated Dealer Management System Implemented

A sophisticated Dealer Management System (DMS) was developed and implemented at all the CCS distributor points to facilitate our objective of adding value to stakeholders. As a result of this comprehensive DMS, daily sales by outlet, flavour, pack size, bottle cooler and freezer cooler sales and route fulfilment are being monitored to ensure that our products are readily available to our consumers whenever and wherever they choose to eat and drink in line with our Vision. The other direct benefits of the DMS is that it gives our operations, sales, planning and marketing teams an in-depth insight into the retail purchase and off-take trends, which will enable Elephant House to segment and target each channel to its maximum potential.

DMS implementation stands at 100% coverage for the soft drinks and ice cream distribution network.



Supply Chain Performance

Efficiency and productivity were key outcomes of the supply chain improvements we put in place during the year. In our Beverages Factory, plant efficiency improved due to an effective preventive maintenance programme, while on the logistics side the new warehouse served our distributors by reducing the loading time 25% over the last year.

In our endeavour to elevate our Supply Chain, it was felt that personnel critical to its efficient functioning should be given exposure to the latest technology trends and best practices in the industry. We selected certain personnel to attend trade exhibitions and knowledge gathering sessions during the financial year, while young blood was also injected into our workforce. Good industrial relations prevailed during the period.

Moreover, the engineering team came to the fore during the year. The team was provided with a broad platform to showcase their capabilities and they took up the mantle enthusiastically. A variety of engineering projects were undertaken and successfully achieved during the year. More importantly, they were achieved within the stipulated period and reflect the wealth of technical talent that the Company nurtures. The benefits of these projects range from increasing cost savings to enhancing capacity and driving greater sustainability consciousness in all aspects of our business.

Laboratory Expansion

The laboratory expansion undertaken during the year has enhanced the Company's ability to meet customer critical quality standards and new product development. The Ranala Laboratory was expanded with state-of-the-art testing equipment to facilitate stringent quality requirements. The laboratory area was increased and now houses a library to facilitate research along with an exclusive area for analytical work. We are currently working towards the ISO 17025 lab accreditation and have introduced additional testing procedures to reinforce existing ISO 9000/22000 quality systems. The Company's food technicians developed several new beverage and ice cream products using natural ingredients. These will be tested in the market in the near future.

Considering that water is a priority area for the Company, several measures were implemented to conserve water in our production and cleaning processes. In order to conserve water, initiatives have been identified to reuse water via recycling within our premises.

Beverages

Innovation is an intrinsic part of our DNA and it is the building block on which we have built a much-loved brand that has grown into a household name across Sri Lanka, having successfully challenged multinational beverage giants and held its ground. It is this passion for change and innovation that adds the fizz to our beverage brands.

MANAGEMENT DISCUSSION & ANALYSIS CONTD.

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

ELEPHANT HOUSE APPLE SODA

Tantalizing tangy apple mixes with frothy soda in every swig of Elephant House Apple Soda. Sweet and refreshing with every swallow.

Availability: 200ml | 400ml | 500ml | 1.5L

KIK COLA

Feel the buzz in your blood to the cool, tantalizing taste of KIK Cola that will take you across to a whole new experience.

Availability: 200ml | 300ml | 500ml | 1.5L
250ml Can

ELEPHANT HOUSE CREAM SODA

Elephant House Cream Soda is the favorite drink for the 7th consecutive year winning the FMCG beverage brand of the year 2013 at the SLIM Nielsen People's awards 2013 -enjoy the wonderfully smooth and refreshing taste of Cream Soda! Its deliciously light and fun flavour is just right for a picnic or part with your friends

Availability: 200ml | 400ml | 500ml
1.5L | 325ml Can

ELEPHANT HOUSE SODA

Sri Lanka's No.1 mixer brand delivers a clean, bright taste that does not step on other ingredients and works wonderfully with any drink.

Availability: 400ml | 500ml | 1.5L

ELEPHANT HOUSE NECTO

The mouth blast that's full of huge cherry flavour, Elephant House Necto explodes with giggles and great fun. No party gets going without it!

Availability: 200ml | 400ml | 500ml
1.5L | 325ml Can

ELEPHANT HOUSE TONIC

Elephant House Tonic offers a crisp taste with hints of bitterness and citrus. It's for the "intense" who loves a clean finish.

Availability: 400ml | 500ml

ELEPHANT HOUSE ORANGE CRUSH

Craving for a tickle of the tongue? Elephant House Orange Crush serves a slice of smile with just the right burst of orange to keep you fresh and refreshed.

Availability: 200ml | 400ml | 500ml | 1.5L

ELEPHANT HOUSE DRY GINGER ALE

Sweet, with a dash of spice. Elephant House Dry Ginger Ale is made with capsicum and ginger to deliver an extremely enjoyable thirst quencher with a pleasantly lingering aftertaste.

Availability: 400ml | 500ml

ELEPHANT HOUSE GINGER BEER

If you like your food, you'll love our EGB! Spicy sensation EGB remains faithful to its traditional roots: brewed with natural ginger, it pairs well with your favourite dishes and cools off the mouth with its refreshingly zesty taste.

Availability: 200ml | 400ml | 500ml | 1.5L
325ml Can

ELEPHANT HOUSE GINGER BEER LIGHT

Now your favorite spicy sensation EGB comes in No sugar, Zero calories without compromising its unique taste. EGB Light remains faithful to its traditional roots: brewed with natural ginger.

Availability: 500ml

ELEPHANT HOUSE ORANGE BARLEY

The taste of Elephant House Orange Barley only improves with time. This classic brand in the Elephant House portfolio is moderately carbonated with a sweet wheaty flavour and light fruit and orange notes.

Availability: 400ml | 1.5L

KIK COLA LIGHT

Now your favorite KIK Cola comes in No sugar, Zero calories to feel the buzz in your blood to the cool, tantalizing taste of KIK Cola Light that will take you across to a whole new experience.

Availability: 500ml | 250ml Can

ELEPHANT HOUSE LEMONADE

Enjoy the clear, crisp taste of Elephant House Lemonade – it's zesty, tasty, and refreshes you to the last sparkling drop.

Availability: 200ml | 400ml | 500ml | 1.5L

WILD ELEPHANT

"Wild Elephant" has revolutionized the energy drink market, with an all new formula that combines the goodness of Taurine, Inositol and Vitamins B3, B5 and B6. The combined effect of the new formula has successfully proven to enhance concentration, reaction speed and awareness contributing to an over-all increase in performance and well being.

Availability: 250ml Can

We offer a range of flavours in four different pack sizes to meet the varying consumption needs of our consumers. Our range includes 200ml glass bottles, a single serving which is mainly for on-site consumption, while a 400ml glass bottle is a sharing pack size, which is consumed on-site and for home consumption. The 500ml PET bottle is essentially for on-the-go consumption, while a 1.5 Litre PET is a party pack, served at gatherings and occasions. The key differentiator in our product portfolio is our popular range which has been in the market for over 60 years. Our unique drink EGB, which is a non alcoholic ginger beer, is made out of natural ginger grown by a community of farmers in the Kandy District developed and supported by the Company.

As a practice, we create hype and excitement about our products in the consumer's mind. The new look Lemonade gained positive feedback from the market. As of now, the Orange Crush, Lemonade and Cream Soda are available in the new 400 ml bottle. The new packaging has been well received by our consumers.

During the period under review, we sustained our ongoing investment in bottles island-wide. Our dealer network is extensive and strongly supported by the Company to ensure that people in all corners of the island can access Elephant House brands. Apart from providing dealers with supply chain support, the Company invested in new bottle coolers and freezers to equip retail outlets to serve our customers maintaining the quality of our products. Although the Western Province accounts for 50% of our beverage sales, we are witnessing an upsurge in consumption of our products in the North, South and East Provinces. These areas are demonstrating promising growth due to the development of infrastructure and increase in domestic tourism.

Product Innovation

The well-equipped R&D laboratory on the factory premises is manned by trained technicians who maintain quality checks and devise new flavours and taste enhancements to ensure that the flavours appeal to changing customer tastes. During the year, our technical team created new flavours and Lite versions of our popular beverages for calorie conscious and diabetic customers who have to control their sugar intake.

During the period under review, the Company recruited experienced and knowledgeable experts who deliver a greater impetus to our product development and innovation efforts. The newly-upgraded laboratory with its enhanced capacity and equipment is already proving to be the right incubator for powerful creativity. Our R&D technicians are working in collaboration with overseas 'flavour houses' and research agencies to improve our ingredients to meet global standards.

'Lite' Variant Extension

We have developed Lite variants for Cream Soda, Orange Crush and Lemonade, which will be launched in the first quarter of 2013. These products will be available in modern trade channels and at 'A' grade outlets.

Brand Activation

Innovative trade promotions were held through the year to sustain the buzz around the brands and encourage our stakeholders to interact with our brands. Further, advertising campaigns for Cream Soda and EGB were launched during the year, supported by many below the line activities. The objective of the new EGB advertising campaign was to extend consumption moments of the brand beyond the food platform it occupies and to grow its volume by gaining share from competitors, by highlighting the goodness of natural ginger, which is the key ingredient in EGB. The campaign was executed across all mass media such as television commercials, radio advertisements, radio based consumer competitions, outdoor advertising, shop boards and mocktail competitions over a three-month period.

VANILLA ICE CREAM

The tastiest Sri Lankan ice cream, Smooth in texture for a heavenly experience of creamy and wholesome vanilla ice cream made with Natural Vanilla from Sri Lanka.

KARUTHA KOLUMBAN ICE CREAM

Natural Mango ice cream made with luscious KaruthaKolumban mangoes, felt with every bite which melts in your mouth and gives you an experience of real mangoes enriched with fresh milk.

FRUIT N NUT ICE CREAM

Vanilla based ice cream made using succulent fruits, cashew nuts and plums enjoyed by millions of Sri Lankans for over two decades. This is the most loved Flavour in the Elephant House portfolio

CHOCOLATE ICE CREAM

A Chocolate treat, made with real cocoa and fresh milk to tantalize the taste buds of all the CHOCOHOLICS!!!

STRAWBERRY ICE CREAM

Vanilla based strawberry Ice cream with sweet, smooth, succulent essence of strawberry tantalizing all the strawberry ice cream lovers

ANODHA ICE CREAM

Unique to Sri Lanka, this is the only vanilla based ice cream which is rippled with fresh Soursop fruit sauce enjoyed by most Sri Lankans. Also this is one of the many natural products produced by Elephant House

HAKURU MIX ICE CREAM

A "Sri Lankan" on its own, this product represents a rich heritage of "Hakuru" (Juggary) which was a substitute to Sugar used by ancient srilankans to enjoy their evening tea. The vanilla based ice cream is enriched with Hakuru shavings, this gives it a unique taste which can only be experienced by indulging in a tub of Elephant House Hakuru mix ice cream

DOUBLE DELIGHT ICE CREAM

Less fights, more flavours? Do your kids love different flavours. You have nothing to worry, Elephant House has an answer with its double delight range. Vanilla and Chocolate, Vanilla and Friut n Nut, Vanilla and Karuthakolumban, two of your favorite flavours in one tub

TWIST ICE CREAM

A real treat of Chocolate, Mango, Orange flavours rippled with vanilla ice cream for those who like to experiment ice cream with different toppings

FRENCH VANILLA ICE CREAM

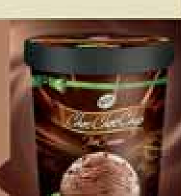
Indulge yourself and experience the taste and aroma of natural vanilla, mixed with the finest blend of rich ingredients, brought to you by the home of ice cream in Sri Lanka, Elephant House

COFFEE ICE CREAM

Flavoured with the premium coffee extracts from Brazil this Flavour is for the coffee lovers. Imagine a rich mocha or a cappuccino in an Ice cream? Well this is the Flavour you should indulge in

CHOC CHOC CHIP ICE CREAM

Seduce your taste buds by devouring our rich & creamy ice cream made with the finest blend of cocoa and chocolate chips, which will clench you with a feeling of temptation



COOKIE CREAM ICE CREAM

A world renowned Flavour enriched with crunchy cookies, dipped in rich creamy ice cream mixed with cookie dough which gives you a tantalizing taste of premium ice cream worth every bite you take

JUMBO JOLLY ICE CREAM

The perfect treat to cool & refresh yourself with our classic variants of orange, lime, pineapple and Necto

WONDER BAR ICE CREAM

A generous serving of classic vanilla, creamy strawberry and rich chocolate on a stick covered with a delicate coating of chocolate

2BAR ICE CREAM

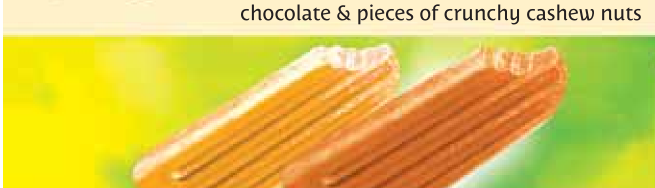
Experience the luxury of crack opening from one Flavour to another in just one stick

WONDER BITE ICE CREAM

Have a crunchy mouthful of ice cream cubes, made with the most popular vanilla ice cream covered with delicate chocolate

WONDER CONE ICE CREAM

An ice cream filled with flavours of creamy vanilla & rich chocolate inside a crunchy waffle cone, with a thick topping of chocolate & pieces of crunchy cashew nuts



MINI JUMBO JOLLY

Quench your thirst in a MINI way by indulging the cool & refreshing MINI Jumbo Jolly which comes with the variants of Mango and Orange

PANI CADJU ICE CREAM

A cup of rich & creamy vanilla ice cream with a layer of soft & smooth treacle at the bottom and crunchy cashew nuts on top

CUPS

If you just 'want' one scoop of ice cream, we've 'got' it with the flavours of vanilla, chocolate, fruit & nut, Strawberry and Mango

MANAGEMENT DISCUSSION & ANALYSIS CONTD.

Meanwhile, the Cream Soda advertising campaign was devised to address a volume decline, witnessed during the year. The new campaign's tag line, 'Puts the Pop back in to your life' firmly enhanced top-of-mind recall for the brand. This three-month campaign was also executed with a 360-degree media approach along with events and activities associated with youth, music and dance. The focused campaign was successful in driving a growth of 21% for the brand in April 2013 over the same period last year.

In the period under review, we re-launched Elephant House Lemonade by enhancing the existing flavour to give more freshness to the product, while converting the 400ml glass bottle to a new shape holding the same volume. Simultaneously, we increased outlet penetration to grow volume by gaining share from competitors. A similar 360 media approach was adopted for the two-month long advertising campaign in addition to offering sampling opportunities of the new and enhanced Lemonade. The campaign achieved its objective by delivering a volume increase of 31% over the previous year.

Apart from the media and outdoor interactive campaigns, several initiatives to engage our consumers were rolled out. Elephant House recorded an exciting year of brand activations and other activities to ensure our brands remained top of mind for customers. One of our key strategies is to participate in outdoor activities and events. In conjunction with the hotels, spice festivals and through our Facebook page, we popularized a range of mocktails with recipes developed by bar tenders from leading five-star hotels. This is mainly to encourage the use of our soft drinks as vital ingredients in a range of non alcoholic beverages.

In order to stimulate interest and grow sales, a consumer promotion was carried out from November 2012 to March 2013. The mechanism of the promotion was to match the letters under the crown and caps of our beverages to make the words 'Elephant House' or 'KIK Cola', and enter a grand draw to be eligible to win one Suzuki Dezire, two Maruti cars and 10 motorbikes. This was in addition to a range of instant prizes ranging from ipods to mobile phones and cash prizes. The competition attracted over 100,000 entries for the grand draw and many instant prices were won across the island. The success of this promotion lay in the fact that it was able to reward loyal consumers, although its main objective of growing sales was hampered by the non conducive market conditions during the period of the promotion.

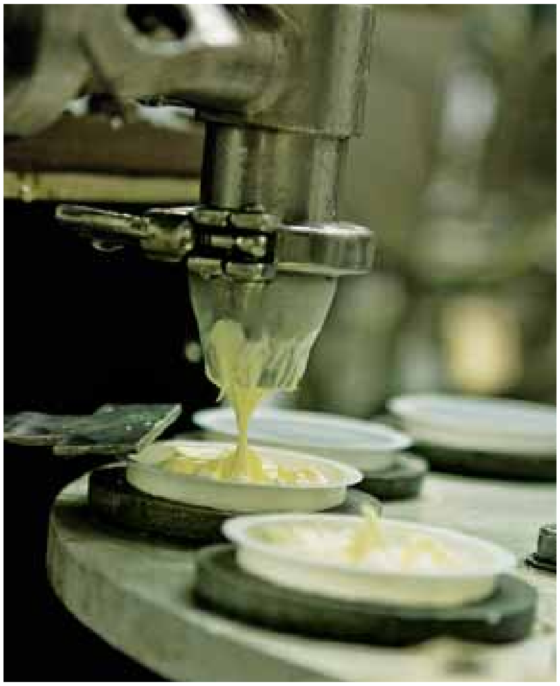
With more focus on distribution KIK volumes grew month on month in the last quarter of the year.

Frozen Confectionary

The year saw a marginal volume decline in the Frozen Confectionary segment against the previous year which is significantly lower than overall decline of the market. Bulk sales tapered off slightly while the Impulse segment maintained volume during the year. Increase in prices of essentials affected disposable incomes and lead to a decline in off-take and consumption for many FMCG products compared to the previous year. Despite the marginal volume decline, net turnover and gross profits both grew at a satisfactory rate over last year due to the price increases taken to mitigate cost increases. Hence, the category was able to maintain its gross profit margin for the year and posted an enhanced profit for the year as compared to the previous year.

Our retail reach was expanded through this period as was our mobile sales channel.

Our ice creams have been popular in the local market for decades and our core strength and clear differentiator is the taste profile and the texture of the ice cream. Our product range includes take-home



packs from 500ml to 4 litres in a range of flavours, which includes value-added products made from locally produced extracts. We also have a novelty range of stick products and cups which are for on-site consumption.

Product Innovation

Having earned its place in the hearts and minds of consumers as the premier frozen confectionary brand, the Company forged ahead to innovate new flavours to delight customers' evolving tastes. The positive feedback we received from our customers and other stakeholders about our ice creams has spurred us to create several new flavours and a new Premium ice cream range that pits itself against multinational brands in terms of taste and quality. The customer feedback was so overwhelmingly positive that we decided to extend the range during the year. The flavours in the Premium category are Choco Chip, French Vanilla and Cookie Cream and these flavours are available at all modern trade outlets.

Re-launched with a richer taste, Cookie Cream is the newest flavour in the Premium range. In the case of Cookie Cream, this high quality blend of milk and natural cocoa forms a soft, smooth ice cream base, while the richness of each spoonful of ice cream is punctuated with little cookie chunks, adding a welcome, crunchy texture. As is the case with every Elephant House Ice Cream product, the flavours are completely natural considering the fact that only the freshest ingredients are used.

Export Markets

Our export of Ice Creams to the Maldives where we hold market leadership continued during the year. The Impulse category, which includes stick ice creams, cones and cups, grew by 6% whilst the bulk volumes were the same as last year.

Creating Marketing Pull

The Company engaged closely with consumers in several novel marketing activities so that they could sample and savour our ice-cream flavours. An exciting Ice Cream Promotion was carried out for the 2 Litre pack through the December 2012 festive season. This promotion achieved our objectives of adding value to consumers by bringing joy to them in terms of a free gift with our products.

The brand went on to gain share during the last quarter, resulting in an overall gain in market share for the entire year. The Company has leveraged on sponsorships and participation in high profile events to engage with stakeholders, thereby achieving greater brand visibility. Our brands are highly visible at outdoor events such as sporting occasions, musical shows and national and corporate events where we have an opportunity to offer product sampling and conduct sales.

The year witnessed some attractive dessert promotions and free recipes and demonstrations for using ice cream in innovative desserts, along with various activities to promote the range directly to consumers. These events were carried out in the Group's modern trade outlets and other customer touch points where consumers could engage with the brand closely.

Social Media Presence

Customers want to experience brands across different mediums, which calls for an agile communication strategy from the Company. In response, CCS has developed a strong social media strategy to interact with consumers in their language and comfort zone, so that they will be more interactive and receptive to our communications. During this year, we launched several online campaigns to make closer contact with Internet, Email and Facebook users. We have been actively leveraging on social media to engage with our consumers and get feedback and ideas on our products

MANAGEMENT DISCUSSION & ANALYSIS CONTD.

and events. The response from the community in these social groups has been encouraging and we have been able to gain some vital insights into how consumers perceive our brand as a result of the brand's active engagement on the social platform.

E-marketing campaigns targeting Premium range

Email campaigns to push the Premium range were undertaken from the third quarter of the year under review. We leveraged on new e-marketing vendors to expand our communication reach to about 60,000 selected email addresses within the Western, Central and Southern Provinces.

Facebook promotions

We launched our first Facebook promotion in June last year, where we invited our loyal fans to an 'all you can eat' ice cream promotion at Majestic City, which was sold out even before the promotion commenced. The overwhelming response was proof of consumers waiting to interact and indulge in the brand and its products. The Elephant House Ice cream 'Cool moment' promotion was also launched in which fans were urged to capture ice cream consumption moments and upload them onto the Elephant House Facebook fan page to win free ice cream. This promotion was carried out in order to increase the loyal customer base and engage with customers. We received many creative entries within a mere two weeks into the promotion and the winners were announced end April 2013.

Retail

Refurbishment and remerchandising

JayKay Marketing Services (Pvt) Ltd., our wholly-owned subsidiary, under which the Keells Supermarkets operate, during the year executed a remerchandising and refurbishment program at all its stores. The Company also invested in resources to improve the operational efficiencies in the business. The initial response from the customers to the change has been very positive with outlets recording a healthy revenue growth through increased customer counts post remerchandising.

The Company incurred a significant one off cost on account of the refurbishment and remerchandising program during the year.

VAT Implication

The Government through the 2013 Budget Proposals introduced a Value Added Tax on Retailers with a turnover of over Rs. 500 million per quarter. In addition to the introduction of VAT on the sales the Government also did not provide any transitional relief for the 31st December 2012 closing stock, resulting in a substantial charge in the 3rd quarter.

Only Retailer to Obtain SLS Certification

Keells Super became the first retail chain to obtain a Certificate of Conformity from the Sri Lanka Standards (SLS) Institute for the 'Supermarket Management System. The certification is aimed at providing guidance and awareness to the supermarkets on hygiene requirements, quality, safety and legality of food products from receiving to selling. Presently 15 outlets have obtained this certification and we are in the process of obtaining the certification for the rest of the outlets.

Performance for the year

The Company recorded a strong revenue growth in same store sales while the one-off Restructuring cost and the closing stock cost of VAT impacted the bottom line resulting in the Company posting a loss after tax of Rs. 207 million.

During the year 2012/2013, the Company opened four new supermarkets in Kalubowila, Havelock Road, Maharagama and Kapuwatte Ja ela.

The retail business continues to work closely with farmers by collecting vegetables and fruits directly from the farm gate, whilst also providing assistance to them in various ways to ensure that they cultivate the required crops at the expected quality levels.

Future Prospects

We are hopeful that the 2013/14 year will witness the reversal of the slowdown in GDP growth experienced toward the latter half of the period under review. The Beverage industry is heavily taxed and this will continue to pose a huge burden, as excise duty too was increased by 50% during the year. To add to this cost increase, duties and levies on raw materials too have gone up. The effects of the price increase to mitigate the impact of cost increases were clearly reflected in a decline in sales. The FMCG industry as a whole has felt the unfavourable effects of the macro-economic uncertainty in the country and it is expected that the new financial year will provide a conducive business environment in which to accelerate the performance of the sector.

Meanwhile, increased energy costs pose a direct threat to the profitability of production-centric businesses such as ours and we urge energy officials and policy-making authorities to reconsider the new tariff structure, whilst exploring energy saving and alternative energy sources to meet the growing energy requirements of industry.

Per capita consumption of beverage and frozen confectionary products is low in the country when compared to other regions and definitely much below the per capita consumption in developed countries and the South Asian neighbouring countries. Therefore, the prospects for growing the business are high. In order to optimise these opportunities, we aim to leverage our brand by using insights derived from consumer research while maintaining flexibility in our offerings to serve consumer needs. In a developing economy, the lifestyles and consumer preferences are bound to change. Therefore, our strategies are geared to align the brand to be relevant to the consumers and to offer products to cater to their preferences.

On an upbeat note, the Company has chalked out exciting plans for the immediate future. Our zero calorie formula Ginger Beer will be followed by similar versions of other popular flavours. Also, we are confident that the Dealer Management System we implemented will bring us substantial benefits in the form of greater distribution focus, enhancing product availability and increasing our market share as a result.

In our Retail sector too we expect the coming year to pose challenges with the expected contraction in consumer spend. However with the restructuring that took place during the year the Company is in a stronger position to expand the chain at an accelerated pace, whilst continuing to improve productivity and delivering value to customers.

AWARDS IN 2012/13

- National Export - Gold - Medium Scale Agriculture category
- SLIM Brand excellence - Gold Award - Best Turnaround Brand of the Year - Elephant House Ice Cream
- SLIM Brand Excellence - Bronze Award - New Entrant Brand of the Year - Elephant House 2bar
- SLIM-Nielsen People's Awards 2012 – Most Popular FMCG Beverage Brand of the Year - Elephant House Cream Soda
- EFFIE Awards 2012 – Advertising Effectiveness Awards - Bronze Award for Necto
- CIMA Business Case Awards 2012 - First Runner-Up
- ICASL Awards 2012 - Food and Beverages Sector - Silver Award
- SLIM Nielsen People's Award for the FMCG Beverage Brand of the Year 2013 - Elephant House Cream Soda
- SLIM Nielsen People's award for FMCG Youth Beverage Brand of the Year 2013 – Joint Winner- Elephant House Cream Soda
- Annual Energy Award Ceremony - Sri Lanka Sustainable Energy Authority - Merit Award

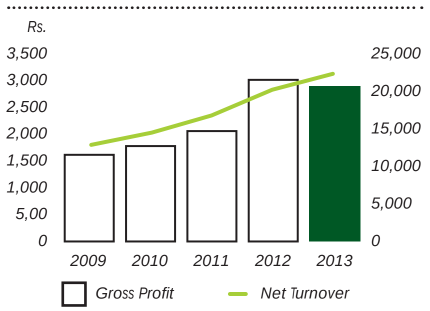
Financial Performance Review

Turnover

At Company level, turnover increased by 3% to Rs. 8.5 billion (Rs. 8.3 billion in 2011/12). Depressed consumer spending amidst tough economic conditions that prevailed resulted in both beverages and frozen confectionery categories experiencing a decline in sales volumes compared to the previous financial year. Heavy rainfall in certain parts of the country over a period of time also impacted the sale of beverages whilst frozen confectionery sales were also somewhat impacted during the power cuts that were enforced, resulting in a reluctance amongst retailers to store ice creams. Both categories were compelled to take price increases due to escalation in costs and that too would have had a negative impact on sales volumes.

The 18% increase in turnover at the Subsidiary Company was due to a combination of increased customer footfall at the existing stores as well as the addition of four new outlets to the network.

Net Turnover and Gross Profit



MANAGEMENT DISCUSSION & ANALYSIS CONTD.

At a Consolidated level the Group turnover increased by 11% to Rs. 22.4 billion (Rs. 20.1 billion in 2011/12).

Cost of Sales and Gross Profit

The Company gross profit as a percentage of net sales marginally decreased to 33.0% (33.6% in 2011/12). This was mainly due to the contraction in volumes resulting in fixed cost absorption being less efficient than in the previous year.

The Beverages category was also significantly impacted by the increase in excise duty by 50% with effect from 9th November 2012 which resulted in an increased cost of Rs. 88 million for the year in review. The continued efforts by the Company to enter in to forward supply contracts, with suppliers of key raw materials both imported and local, once again enabled the Company to minimise the impact of global pricing volatilities whilst ensuring a constant supply. Significant increases in prices of diesel (37%) and furnace oil (84%) towards the end of previous financial year affected the profitability throughout the financial year 2012/13. Engagement in energy saving initiatives enabled the Company to keep the impact of energy cost increases to 20% over previous year. Since several key ingredients are imported, the increase in duties and levies on imports and depreciation of the exchange rate also adversely affected our raw material cost.

The Subsidiary Company's gross profit declined by 57% mainly due to the Government not providing any transitionery relief to claim input VAT on the closing stock as at 31st December 2012.The Company was also negatively impacted due to the imposition of VAT on the turnover which was previously exempted. Although many of our valued suppliers agreed to bear part of the impact there was a residue which could not be fully recovered.

The overall gross profit margin at a Group level decreased during the year to 13.0% (15.1% in 2011/12).

Distribution Expenses

Distribution expenses include the cost incurred in distribution of products, depreciation and maintenance of bottle coolers and ice cream freezers used to make the products available in the market, advertising and promotions undertaken to increase sales volumes and customer counts at the supermarkets and the payroll and related costs of the sales and marketing personnel.

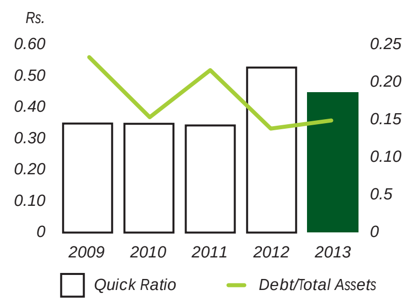
During the year several TV and radio commercials were aired for soft drinks brands Cream Soda, EGB, Necto and Soda. An "Under the Crown" consumer sales promotion for the Elephant House range of soft drinks and KIK were advertised on TV, radio and print media. The Frozen confectionery category advertised it's stick products and cups range on TV and radio. The subsidiary too increased it's spend on air time to promote their various value campaigns. Selling and distribution expenses as a percentage of net turnover at Company level was 12.8% as against 13.3% in the previous year. At a Consolidated level it was 5.6% of the turnover as against 5.8% in the previous year.

Administrative and Other Operating Expenses

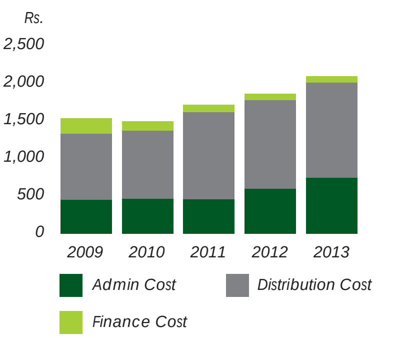
At both the Company and the Subsidiary level administrative expenses increased as a result of the increased spending on payroll and related expenses, information and technology and rental expenses. Part of the additional expenditure was to support the additional capacity built up in all business segments.

Other Operational expenses both at Company and consolidated level increased mainly due to NBT paid on the increased turnover. Spoilages and wastages at the Company level were reduced by 6%.

Liquidity & Borrowings



Overhead Cost Analysis



Finance Costs and Interest Cover

During the year under review, interest rates inclined gradually throughout the year. Both the Company and the Subsidiary attracted favorable interest rates from the financial institutions, at low premiums to SLIBOR, leveraging on the Company's financial strength. Once again borrowings were structured utilizing a mix of both fixed and variable interest rate instruments to ensure that the financial impact due to volatility in the capital market was mitigated.

The cost of financing at Company level increased to Rs. 45.9 million (Rs. 43.6 million 2011/12), as a result of interest rates gradually increasing throughout the year and an increase in interest bearing borrowings to fund our capital expenditure requirements.

At a consolidated level the Group's interest cost increased to Rs. 101.1 million (Rs. 91.4 million in 2011/12).

The Group interest cover reduced to 10.5 times (16.5 times 2011/12) whilst at Company level it was 27.6 times (32.6 times in 2011/12).

Profit from operating activities

Despite a revenue growth at Company level, earnings from operating activities before interest and tax (EBIT) declined as a result of decline in volumes.

At an operating level excluding the gain from the change in fair value of investment property the Company posted an EBIT of Rs. 1.264 billion compared to an EBIT of Rs. 1.423 billion in the previous year, a decrease of 11%.

The Subsidiary too experienced a reduction in its EBIT from a profit of Rs. 88.0 million to a loss of Rs. 195.1 million during the year under review largely as a result of the one off impact due to transitional relief not being granted on Input VAT on closing stocks whilst profitability was also impacted due to a one off cost on account of the outlet re-merchandising programme that was done across all the outlets.

At a consolidated level EBIT decreased by 30% to Rs. 1.064 billion compared to an EBIT of Rs.1.512 billion in the previous year.

Change in Fair Value of Investment Property

A gain of Rs.1.275 billion was accounted as a result of the revaluation of the Company freehold land situated along Glennie Street and Justice Akbar Mawatha, Colombo 2. The gain was accounted as per LKAS 40 Investment Property.

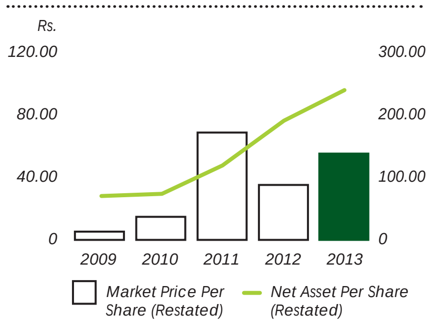
Taxation

The tax charge for the year at the Company was Rs. 384.5 million (Rs. 272.8 million in 2011/12), with an effective tax rate of 31% as against 20% in the last year. The increase in the effective tax rate was mainly due to an increase in the deferred tax charge.

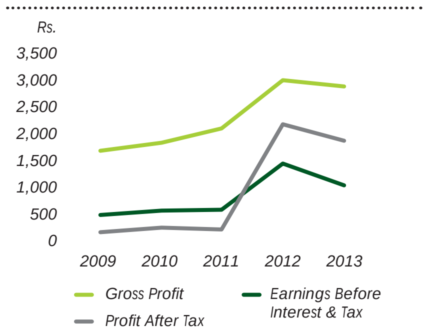
At the subsidiary, Economic Service Charge (ESC) of Rs. 29.1 million (Rs. 15.4 million in 2011/12) was written off due to the time bar provision.

The Group Income Tax charge for the year was Rs. 345.0 million (Rs. 306.4 million in 2011/12).

Net Asset Per Share Vs. Market Price Per Share



Earnings



MANAGEMENT DISCUSSION & ANALYSIS CONTD.

Statement of Financial Position

Shareholders' Funds

Shareholders' funds at Company level increased significantly to Rs. 9.6 billion as compared to Rs. 7.5 billion in the previous year as a result of the increase in retained earnings (Rs. 1.75 billion) due to the profits made during the year whilst Revaluation Reserve increased by Rs. 379 million during the year due to revaluation of land and buildings at Rannala.

As at the Reporting date the total shareholders' funds at a consolidated level was Rs. 9.2 billion (Rs. 7.3 billion in 2011/12)

Asset Base

During the year the Company also invested Rs. 975 million (Rs. 752 million in 2011/12) on capital expenditure mainly to build a new cold storage room, expand processing and hardening capacity in the ice cream factory, to overhaul production lines in the soft drinks factory to improve the productivity. Purchase of returnable containers, crates, bottle coolers and freezers was done to further penetrate the retail market. The total depreciation charge amounted to Rs. 394 million (Rs. 322 million in 2011/12).

As mentioned previously the revaluation of the freehold lands at Glennie Street and Justice Akbar Mawatha, Colombo 2 resulted in the Investment Property valuation increasing to Rs. 5 billion from 3.7 billion reported last year.

Current Assets of the Company increased by Rs. 173 million as a result of the increase in trade and other receivables, inventories whilst cash at bank increased due to positive cash flows from operational activities.

At the Subsidiary level capital expenditure of Rs. 449 million (Rs. 250 million in 2011/12) was incurred on expansion of the outlet base and as replacements. The depreciation and amortisation charge was Rs. 244 million (Rs. 218 million in 2011/12).

Current assets of the subsidiary increased by Rs. 253 million mainly as a result of the increase in inventories and cash in hand and at bank due to increased trading volumes.

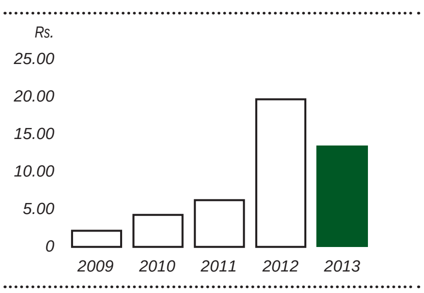
At a consolidated level the Group total asset base amounted to Rs.14.8 billion from Rs. 12.0 billion in the previous year representing a 24% increase.

Cash Flow and Liquidity

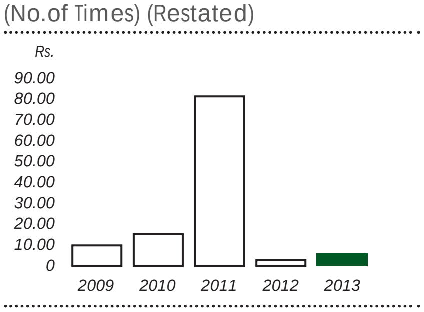
The Company's key sources of finance for the year under review were cash generated from operations. The Group ensured adequacy of liquidity to service debt and meet future working capital requirements, capital expenditure and dividend payment requirements.

The Company operates its own Treasury function assisted by the Treasury division of John Keells Holdings PLC based on the policies and plans approved by the Board. Our Treasury manages a variety of market risks, including the effects of changes in foreign exchange rates, interest rates and liquidity. Further details of the management of these risks are given on page 78. The CCS Treasury's role is to ensure that appropriate financing is available for all value-creating investments. Additionally, the Treasury delivers financial services to allow the Company and the Subsidiary to manage their financial transactions and exposures in an efficient, timely and low-cost manner.

Interest Cover



Price Earnings Ratio
(No.of Times) (Restated)



Cash flow from operating activities of the Group excluding working capital changes increased to Rs. 1.7 billion (Rs. 1.9 billion in 2011/12) whilst at Company level it was Rs. 1.6 billion, which is similar to the previous financial year.

Cash generated from operations of the Group inclusive of working capital changes increased to Rs. 2.1 billion in the current year (Rs. 1.6 billion in 2011/12) whilst at Company level it was Rs. 1.7 billion in comparison to Rs. 1.4 billion in the previous year.

Total net borrowings at a Group level including overdrafts net of cash increased during the year to Rs 1.2 billion (Rs 1.1 billion in 2011/12) as at the Reporting date whilst at Company level it increased to Rs. 388 million against Rs. 366 million in the previous year.

Accordingly, the Gearing Ratio at the Company level stood at 5.8% (6.6% in 2011/12) and at the Group level was 16.7% (18.11% in 2011/12).

Ceylon Cold Stores PLC and Jaykay Marketing Services (Pvt) Ltd. are satisfied that their respective financing arrangements are adequate to meet the working capital needs for the foreseeable future.

Shareholder Value

The Company's strategic priorities are primarily focused on delivering shareholder value through the achievement of sustainable, capital efficient and long term profitability growth.

The basic Earnings per Share (EPS) for the Group was at Rs. 20.16 (23.66 in 2011/12).

The Group net assets per share at book value stood at Rs. 96.54 (Rs. 76.72 in 2011/12) whilst at Company Level it stood at Rs.100.88 (Rs. 78.80 in 2011/12).

The Company's share price as at 31 March 2013 was Rs. 135.90 moving within a range of Rs. 87.00 to Rs. 144.00 during the year.

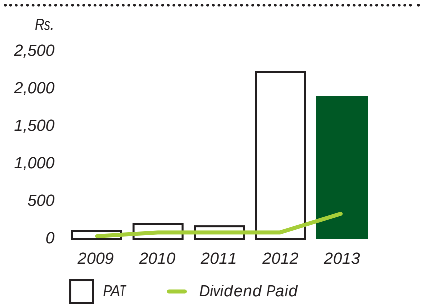
The market capitalisation of the Company was Rs. 12.9 billion as at 31st March 2013 (Rs. 8.5 billion as at 31st March 2012).

Return on Equity (ROE) for the Group decreased to 23.2% (38.1% in 2011/12) and for the Company to 26.0% (36.6% in 2011/12). Once the revaluation gain on investment property is excluded ROE for the Group is at 7.8% (19.2% in 2011/12) and for the Company at 10.0% (18.4% in 2011/12).

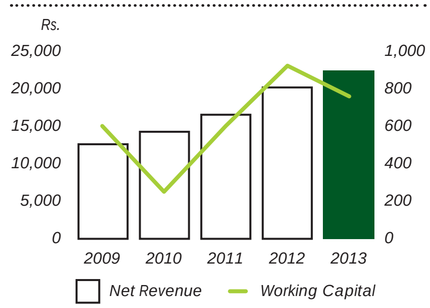
Return on Capital Employed (ROCE) for the Group also decreased to 11.0 % against the 20.0 % in last year. At a Company level ROCE reduced from 21.0% last year to 13.9% in the current year.

A first and final dividend of Rs. 4 per share (Rs. 4 per share in 2011/12) amounting to a total payout of Rs. 380 million (Rs. 380 million in 2011/12) was approved for payment by Directors.

Profit After Tax & Dividend Paid



Net Revenue Vs Working Capital Requirement




Elephant House™
PUT
IN TO


THE POP BACK
YOUR LIFE
Elephant House
CREAM SODA
400ml

BOARD OF DIRECTORS

Susantha Ratnayake

Non Independent – Non Executive Chairman

Mr. Ratnayake was appointed to the Board of Ceylon Cold Stores PLC from 01st October 2002 and was appointed as Chairman in January 2006.

Mr. Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 and has served on the JKH Board since 1992/93. He is also the Chairman of many of the listed and un-listed companies within the Group. Mr. Ratnayake is the Chairman of the Ceylon Chamber of Commerce, and, Vice Chairman of the Employers' Federation of Ceylon and serves on several clusters of the National Council for Economic Development. He has over 35 years of management experience, all of which is within the John Keells Group.

Ajit Gunewardene

Non Independent – Non Executive, Director

Mr. Gunewardene was appointed to the Board of Ceylon Cold Stores PLC from 01st October 2002.
Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of their Board for over 20 years. He is a Director of many companies in the John Keells Group and is the Chairman of Union Assurance PLC. He is a member of the Board of SLINTEC, a Company established for the development of nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology. He has also served as the Chairman of the Colombo Stock Exchange. Ajit has a degree in Economics and brings over 31 years of management experience.

Ronnie Peiris

Non Independent – Non Executive, Director

Mr. Peiris was appointed to the Board of Ceylon Cold Stores PLC from 01st June 2003.
Appointed to the John Keells Holdings PLC Board during 2002/03, Ronnie Peiris has overall responsibility for the Group's Finance and Accounting including Taxation, the Information Technology, Corporate Finance and Treasury functions and Group Initiatives. He was previously the Managing Director of Anglo American Corporation (Central Africa) Limited in Zambia. Ronnie has over 40 years of finance and general management experience in Sri Lanka and abroad. He is a Fellow of the Chartered Institute of Management Accountants, UK; Association of Chartered Certified Accountants UK and the Society of Certified Management Accountants, Sri Lanka and holds an MBA from the University of Cape Town, South Africa. He is a member of the committee of the Ceylon Chamber of Commerce, Chairman of its Taxation Sub Committee and also serves on its Economic, Fiscal and Policy Planning Sub Committee. He is a Director of several companies in the John Keells Group and the outgoing President of the Sri Lanka Institute of Directors.

Jitendra Gunaratne

Non Independent – Executive, Director

Mr. Gunaratne, is the President of the Consumer Foods sector of the John Keells Group and was appointed to the Board of Ceylon Cold Stores PLC in 2004/05.
Prior to his appointment as President, he overlooked the Plantations and Retail sectors. His 32 years of management experience in the Group also covers Leisure and Property. Jitendra holds a diploma in marketing. He is the President of the Beverage Association of Sri Lanka and the Chairman of the steering committee for food and beverage of the Chamber of Commerce. He also serves as a member of the Advisory Committee on Consumer Affairs of the Ceylon Chamber of Commerce.

Rasakantha Rasiah

Independent Non Executive, Director

Mr. Rasakantha Rasiah was appointed to the Board of Ceylon Cold Stores Ltd, from 1st July 2005. He is the Chairman of the Audit Committee of the Board of Directors.

He is a graduate of the University of Ceylon and a fellow member of the Institute of Chartered Accountants of Sri Lanka. He brings to the Board a wealth of experience in the FCMG industry. He has wide experience of over 30 years in the industry, both locally and overseas. He was the former Finance Director of Nestle Lanka PLC, holding the position for over a decade. He was also a visiting lecturer in "Finance and Accounts" for Nestle SA (international) for Africa-Asia Oceania region. He is a former President of the Benevolent Society of the Institute of Chartered Accountants of Sri Lanka.

He is also a Director of Nations Trust Bank PLC, MTD Walkers PLC, EB Creasy Group of Companies and a commercial advisor of Ceylon Pencil Co Ltd. He is a visiting Lecturer in Finance at the Postgraduate Institute of Management (PIM). A keen sportsman and represented Sri Lanka at table tennis.

Prasanna Jayawardena, PC

Independent - Non Executive, Director

Mr. Jayawardene joined the Board of Ceylon Cold Stores PLC from 1st July 2005 and serves as a member of the Audit Committee of the Board of Directors.

He brings to the Board wide knowledge and experience in the sphere of Law. Mr. Jayawardene, who is a President's Counsel, specialises in Commercial Law including Banking Law, Company Law, Industrial Law and Intellectual Property Law. Prior to commencing practice as a Lawyer, he was at HSBC in a senior management capacity for over a decade and has extensive experience in the banking industry. Mr. Jayawardene is a Director of the Environmental Foundation Ltd.

Prof. Uditha Liyanage

Independent - Non Executive, Director

Prof. Liyanage, PhD, was appointed to the Board of Ceylon Cold Stores PLC from 1st July 2005. Prof. Liyanage is a member of the Audit Committee of the Board of Directors.

He brings to the Board extensive knowledge and experience in the sphere of marketing activities. Prof. Liyanage is the Director of the Postgraduate Institute of Management (PIM). He is a Consultant to a number of key companies and international agencies.

Prof. Liyanage has published widely in reputed journals on strategic marketing, and addressed many international conferences on similar subject matter. He is a past Chairman of the Chartered Institute of Marketing (CIM) and former member of the International Board of Trustees of CIM. He is on the Boards of Directors of a number of leading companies.

MANAGEMENT TEAM

(In alphabetical Order)

Chandima Perera
Vice President - Head of Category - Beverages

Daminda Gamlath
Vice President - Head of Finance/Sector Financial Controller

Jitendra Gunaratne
President/Chief Executive Officer

Nalaka Umagiliya
Vice President - Head of IT Business Solutions

Neil Samarasinghe
Vice President - Head of Category - Frozen Confectionery

Nilantha Jayasinghe
Assistant Vice President - Head of Employee Relations

Niranjan Palipane
Assistant Vice President - Head of Marketing - Beverages

Rohana Witanachchi
Vice President - Head of Supply Chain Management

Sanjeewa Jayasundara
Assistant Vice President - Head of Engineering

Sanjeewa Jayaweera
Executive Vice President - Chief Financial Officer

Surani Sahabandu
Assistant Vice President - Head of Sales & Marketing - Frozen Confectionery

Wasantha Malwattege
Assistant Vice President - Head of Sourcing & Procurement

Wasanthalal Fernando
Assistant Vice President - Head of National Sales - Beverages


EGB
Elephant House
NO EGB
NO FOOD
MADE USING NATURAL SRI LANKAN GINGER
EGB


Wonder
Wonder Bite
Wonder Bar
Wonder Cone


Elephant House™

SUSTAINABILITY REPORT

"For us, less is more.

Sustainability is a comprehensive approach we adopt across the Company to practice 'less is more'. We define sustainability as meeting today's needs without compromising tomorrow's resources. To us, sustainability means using our resources wisely and engaging all our stakeholders to walk this path with us. As one of the nation's best-loved brands, we take this responsibility seriously. In our remarkable journey of 147 years, Elephant House has shown resilience in navigating emerging social, economic and environmental challenges. Our depth of experience in running a longstanding brand has taught us that a sustainable vision answers many socio-economic challenges besetting the world. For this reason, our sustainability and business strategy are one and the same."

Message to Stakeholders

"As a progressing business that lies close to the heart of each and every Sri Lankan, we believe that the economic, environmental and social implications of our operations have a deep impact on our stakeholders and that it is our duty to manage these aspects to the fullest extent possible so that we ensure sustainability not only of our operations but also the health of our stakeholders. Over the last few years, Sri Lanka's natural resources are coming under pressure from overuse and scant regard for conservation. As a household brand, we see Elephant House to be perfectly poised to create lasting value in this space.

There are brands that are so intertwined with the fabric of its stakeholders, that every tug and pull on the warp and weft of this emotional fabric is felt as much by us as it is by the stakeholders. Elephant House has been a household brand for over 100 years, the brand has grown in line with the nation's economy, benchmarking its rise as a pure home grown business that competes successfully with multinationals of the world. In existence for the last 147 years, sustainability is embedded in our business.

Although the overarching sustainability themes emanate from our parent group, John Keells Holdings, over the last few years Elephant House has been charting a distinctive path to creating value and uplifting its supplier communities to partake of its growth and prosperity. The Company has realigned its projects to ensure that all initiatives are related to the Company's core business. The Company took a decision to extend its support to community and environment management programmes around the factory premises, so that employees too feel a sense of pride in working for a Company that cares.

The story of our sustainability efforts is documented in this report and reflects our achievements in one year alone, especially in the areas of water and energy conservation.

Entrance of the new soft drinks finished goods warehouse, enabling future green initiatives

As a water-intensive business, we will continue to exert a greater emphasis on water conservation and treatment, while minimising our carbon footprint. There is no doubt that despite the existence of official policies for water use and reuse, implementation still remains a challenge across sectors due to lack of awareness and financial resources. Our decision to focus on this issue underscores our honest evaluation of which natural resources we are using more of in our business and how we can return this back to the planet.

Further, our commitment to our supplier and customers remains unwavering. Our farmer outgrower network has touched the lives of about 2,800 farming families, improving their standard of living and offering the next generation a brighter future. These aspects of sustainable operations are part and parcel of our business and will receive greater budget allocation and attention in the medium and long term. The strategies instituted into our sustainable development vision are product excellence through innovation; being cognisant of our consumer profile, needs and expectations; inspiring and encouraging our team to journey towards a collective vision; enhancing the lives of our communities and creating value for our stakeholders by partnering them in avenues of development and working on initiatives that would reduce our carbon footprint.

Further, we are constantly devising partnership strategies at every stage of our products' lifecycle to ensure we add value at every stage of the manufacturing process - from sourcing ingredients locally to recycling glass bottles. The Elephant House team is energised on seeing the progress made in the Company's sustainability record during 2012/13 and intend to follow future plans fully committed to creating shared value amongst all stakeholders.

We truly believe that less is more and our resolve to conserve and nurture the planet's natural resources for future generations holds steady. We have a clear sustainability vision and we are confident that it will lead the Company on a path where we walk hand-in-hand with our stakeholders towards a common goal.

GRI Indicators Reported by CCS

	2011/12	2012/13
Environmental		
EN3 Direct energy consumption (GJ)	50,028.51	45,038.60
Direct energy consumption (GJ) per Rs. million of revenue	6.05	5.28
EN4 Indirect energy consumption (GJ)	36,188.80	39,244.17
Indirect energy consumption (GJ) per Rs. million of revenue	4.37	4.60
Total Energy consumed	86,217	84,283
EN8 Water withdrawal (m^3)	547,441.00	395,270.00
EN11 Sites near/in high bio-diversity areas	Non	Non
EN16 - Carbon footprint (MT)	10,601.85	10,828.58
Carbon footprint (MT) per Rs. million of revenue	1.28	1.27
Waste recycled/reused	62%	47%
Labour Indicators		
Total number of employees	956	972
LA2 - Attrition of new hires (as percentage of total new hires)	3%	8%
LA4 - Percentage covered by collective bargaining	60%	59%
LA7 - Number of injuries	33	26
Injury rate (number of injuries per 100 employees)	3.45	2.67
Total No. of Lost Days Due to Occupational Injury or Disease	251	169
Human Resource and Societal Indicators		
HR6 Incidences of child labour (below age 16)	-	-
Incidences of young workers (aged 16-18)	-	-
HR7 Incidents of forced labour during the year	-	-
Social Responsibility Indicators		
SO2 Businesses analysed for risk of corruption	Yes	Yes
Product Responsibility		
PR3 - Product labels carrying information on:		
On Environmental impact of products	31 products (PET bottles and cans) - Disposal of the product information	
On Safe use of product	Ice Cream Lite Products and Wild Elephant	
Sourcing of components	Three imported SKUs	

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Product Responsibility

Elephant House has a rich heritage with deep-rooted values spanning over a period of over 150 years. The longevity of the brand reflects its deep sustainable roots. Elephant House is a much-loved household brand that is embedded in the fabric of people's lives in Sri Lanka. No celebration can be complete without our beverages or frozen confectionery brands. Elephant House beverages are probably one of the few carbonated beverage brands in the world to have challenged multinational giants and held its ground. This in itself reflects just how relevant the brand has been to the lives of consumers in Sri Lanka and how it has evolved with the times to stay forever young.

The reason our brand leads in the local market is because we take our product responsibility seriously. Elephant House beverages are manufactured to the highest standards in a modern manufacturing environment using technically advanced machinery and are SLS certified. Our brand is not only sustainable; it is also backed by equally responsible socio economic sustainability practices that minimise any adverse effects on its stakeholders.

Brand Promise

Our products use the freshest of ingredients made with the highest quality standards ensuring optimum taste and goodness at all times. Elephant House manufactures quality beverages in many flavours. Beverage flavours include Necto (raspberry), Orange Crush, Orange Barley, Lemonade, Cream Soda (vanilla), Apple Soda, EGB (ginger beer), Dry Ginger Ale, Tonic, Soda and KIK Cola. Furthermore, no sugar and calorie-less variants of EGB and KIK are also available. Elephant House has two key products manufactured and marketed under the flagship brand which are household names and market leaders in their own segments - EGB and Cream Soda. All beverage variants are available in glass bottles and PET bottles. However, the light variants are only available in PET and cans. All ingredients are mentioned on all packaging along with manufacturer's details. Furthermore, the products carry environmental and recycle messages, warnings and consumer hotline numbers.

We also promise great tasting Ice Cream filled with natural goodness. Elephant House Vanilla Ice Cream is the only ice cream made with natural vanilla completely sourced from local vanilla farmers supported by the Company. Similarly, Elephant House Karuthakolumban is the only Ice Cream made with really natural

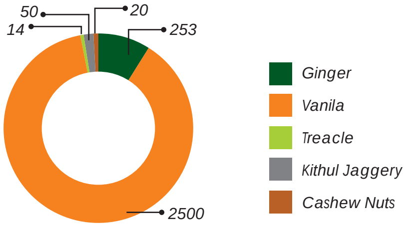
New product development and stringent quality checks being done in the laboratories

Karuthakolumban mangoes sourced locally. Our ice cream product portfolio ranges from the basic vanilla, chocolate and strawberry flavours to value added flavours and a premium range, which competes successfully with international ice cream brands. We also offer a range of flavours, products and pack sizes targeting all age segments and taste preferences. We sustain the excitement around our brands by providing consistent taste and goodness by leveraging on a continuous improvement mindset and by incorporating changing tastes.

Encouraging Self-reliance in Agriculture

A Bulk of the Company's purchases is made through local suppliers.

Number of Farmers Sourced From



Engaging Over 2,800 farmers

The Company's farmer outgrower model has delivered unimaginable prosperity amongst the farming community we work with whilst offering us complete end-to-end control of our supply chain. This seamless backward integration model has helped demonstrate how a successful sustainability strategy can double as a beneficial sustainable strategy. The Central Bank of Sri Lanka has acknowledged the benefits accrued to the vanilla growing network due to the intervention of the Company, whilst also growing self-sufficiency in growing vanilla, which was imported in as much as 410 Kgs until the year 2009. (Source: United Nations Commodity Trade Statistics Database).The Company has made a significant contribution in driving yields and upgrading skills of its farmer outgrower community and we have sustained these projects through difficult climactic and economic conditions. We audit all our suppliers regularly to ensure how they store the raw ingredients and so on. Last year, we reinforced the ISO 14000 team to ensure system compliance. Today, these supplier networks form an inalienable part of our sourcing strategy. We rely heavily on the local production of vanilla, ginger, cashew, treacle and tropical fruit as vita ingredients for our soft drinks and ice creams.

Benefits to farmers:

1. Training on technical aspects of cultivation, expertise in practices, fertiliser management and financing methods.
2. A ready market and above market average prices due to forward buying contracts with our Company.

Ginger

We purchased a total of 28,195 kg raw ginger in 2012/13 from 253 farmers involved in cultivating ginger. The Ginger Outgrower Programme in partnership with Kandurata Development Bank and supported by the Central Bank, was the first project in our sustainable agricultural sourcing Initiatives. It has been extended to farming communities in Aludeniya, Galabawa, Poojapitiya, Udawa and all of Hataraliyadda in Kandy District, supplying our entire requirement of ginger for our flagship EGB product. The farmers produce ayurvedic ginger, which has medicinal properties and is considered the purest form of ginger.

Vanilla

Vanilla constitutes one of the key ingredients featuring in many of the Company's products. As a result, we require an uninterrupted supply of vanilla required for the manufacture of plain vanilla ice cream as well as the vanilla ice cream based products of Hakuru Mix and Pani Kadju, Twist range, Fruit and Nut and Winter Slice etc. This project now spans the Meegammana West and Wattegama, Kandy areas. The Kandy Vanilla Farmers Association (KVFA) interacts with farmers from both micro and small levels, engaging those who are involved in home gardening as well. The KVFA collated a total of 981 kgs of cured vanilla beans in 2013. An average of Rs. 7,500 per kg is earned for vanilla and 2,500 growers are engaged in this initiative. The Company's technical inputs and knowledge sharing have resulted in optimising crop production and modern methodology. Leveraging on this further, vanilla growers are encouraged to grow orchids on their land so that they can earn a dual income. The vanilla farmers have embraced the idea and many are reaping substantial revenue for orchid cultivation.

Cashew

Cashew is a favourite and mandatory essential for the manufacture of our Pani Cadju and Fruit and Nut ice creams. In 2012/13, we purchased 4,099 kgs of cashews. Focused in the Mangalagama region of the Eastern Province, about 20 cashew growing families from the Maha Oya and Ampara are involved in the supply. The Uva Development Bank and the newly-formed Farmers Society are partnering us in this project. While the Farmers Society engages the farmers in imparting technical know-how, hygiene and health and safety features, the farmers themselves are encouraged to supplement their income through the sale of by-products from the processing of cashew in external markets.

Treacle

Our treacle project witnessed a total of 20,422 kgs of jaggery being sourced by the Company annually, from farming families in the Waralla and Deniyaya areas. Approximately 45% of the Company's treacle requirement for its Hakuru Mix ice cream is sourced from a well-established network of farmers. More significantly, the treacle is pure and not adulterated with sugar. Janatha Nilwala Krushi Nishpadana Sangamaya, a local NGO from Deniyaya is engaged in the process of widening our treacle farming network to add to the existing base. About 14 farmers benefit from treacle manufacturing.

Kithul Jaggery

Our kithul jaggery project, although three years old, witnessed a total of 20,284 kgs of jaggery being sourced by the Company annually, from the Agriculture Self Employment Society, Neluwa, which engages with 50 farmers.

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Vegetables & Fruits

Our sustainable sourcing programme has been growing by leaps and bounds. Our farmer outgrower network is expanding and enables us to deliver fresh fruit and vegetables to consumers daily. The Group's Subsidiary, Keells Super network offers shoppers the 'fresh from source' promise. Our delicious Karuthu Kolomban ice cream counts fresh Karuthu Kolomban mangoes as a vital ingredient. Our sourcing regions include Thambuthegama, Nuwara Eliya and the border villages of Kebethigollewa and Galenbindunuwewa, Dambulla and the North and East. The Mahaweli Authority has been a strong stakeholder in this project, evaluating the farmers' progress and advising them on technical and quality requirements. It also partners us in imparting modern and safe farming methods.

Sustainable Sourcing Projects of Ceylon Cold Stores PLC - Three-Year Comparison

Product	Location	Primary Suppliers/ Project Partners	Number of farmers			Total Annual Supply (KG)			Total Payment (Rs.)		
			2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Ginger	Aludeniya Galabawa Poojapitiya Uduwa all of Hataraliyadda in Kandy District	C/CS, Ginger Growers and the Kandurata Development Bank supported by Central Bank of Sri Lanka	253	253	253	14,760	46,723	28,195	8,856,000	28,033,800	16,917,366
Vanilla	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	2,500	2,500	2,500	925	534*	981	6,937,500	3,672,500	5,762,390
Treacle	Waralla, Deniyaya	Nilwala Food Products	12	12	14	42,000	37,569	20,422	5,460,000	4,884,087	2,654,860
Kithul Jaggery	Agriculture Self Employment Society, Neluwa	Dakshina Kithul Nishpadana	N/A	25	50	N/A	9,871	20,284	N/A	3,701,625	8,132,277
Cashew Nuts	Mangalagama	Mangalagama Cashew Producers	N/A	30	20	N/A	2,030	4,099	N/A	3,726,000	6,131,300

Village Adoption Project – Mangalagama

The parent group, John Keells Holdings, runs a successful Village Adoption project which identifies the needs of a particular village community and engages closely with them to enhance their lives. Mangalagama in the Ampara District of the Eastern Province of Sri Lanka is the second village to be selected for development under this project. The selection was made taking into account the need to develop what was previously a `border village' affected by the long-drawn ethnic conflict, whilst also complimenting the Group Subsidiary, Ceylon Cold Stores PLC (CCS), which has undertaken a strategic business drive to develop the cashew farmers of the village to supply a substantial part of its cashew requirement for its ice cream products.

Livelihood development

During the year under review, CCS was able to consolidate further the livelihood development and capacity building programme initiated among cashew farmers in the village. The main objective of this initiative is to enable the Cashew Farmers Organization to grow, collect, process and deliver cashew directly to CCS at market prices in the mutual interest of both parties. This mutually beneficial partnership resulted in the cashew farmers almost doubling the volume sold and the price received for the purchase of cashew by CCS year on year: namely, a total of 4099 Kg (2030 Kg in 2011/12) of cashew amounting to Rs. 6.13 million during the year in review (Rs. 3.72 million in 2011/12). Loan facilities provided by the bank to facilitate the purchase of raw cashew by members of the Cashew Farmers Organization aggregated to Rs. 2.4 million, up from Rs. 2.25 million in 2011/12.

CCS purchases material locally as well as from overseas. The sugar we import is produced in mills which are of highest technical standards and certified by leading sugar buyers.

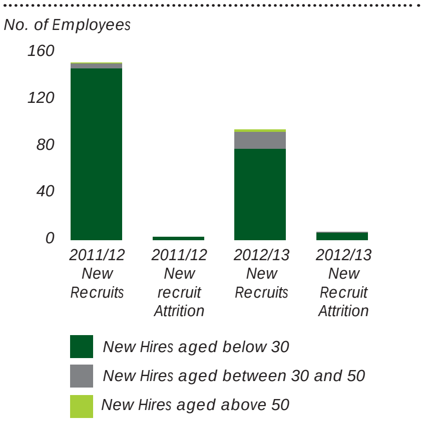
Talent Sustainability

Considered a preferred employer in Sri Lanka, CCS has built up an admirable work culture that fosters diversity and inclusiveness and rewards achievements. Ours is a people-intensive business and we ensure compliance with applicable laws and regulations, to ensure the safety and well-being of our people. More importantly, this passion for engaging with our people is driven from the top down. Senior management engages closely with all levels of staff to get their feedback on Company policies and to resolve any employee grievances. A happy workforce equals a productive workforce and we make sure our employees earn a slew of privileges and attractive wages to build their loyalty and sense of ownership for the Company. The Company's culture of meritocracy rewards individual achievement just as much as it emphasises the importance of cooperation and teamwork in assembly line operations.

Recruitment

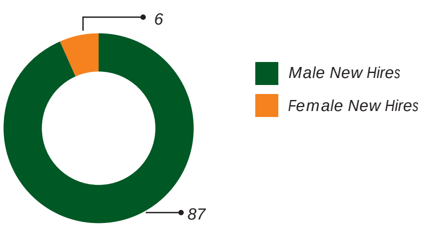
The guidelines for the Company recruitment process are outlined by the parent group, John Keells Holdings, under the overarching goals of the Group. CCS's recruitment process is stringent and we take into account selection criteria including qualifications, experience, external and internal examinations, assessment interviews and aptitude tests. The selection process applies across both internal and external candidates, with the potential candidates short-listed, before final selection. As a result of our training and career progressions commitments and the numerous benefits we offer, attrition rates are relatively low. Our employees reflect our engagement with local communities and we maintain a fine blend of youth from the immediate community and further away. We have a young, dynamic and motivated team, helmed by experienced professionals.

New Recruits and New Recruit Attrition YoY - Employee Age wise



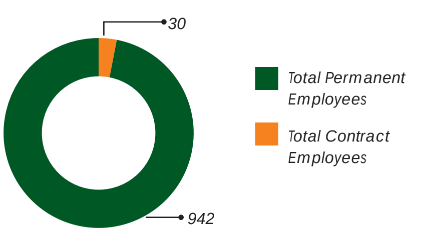
More than 10,000 training hours in 2012/13

Total hires during the year according to gender

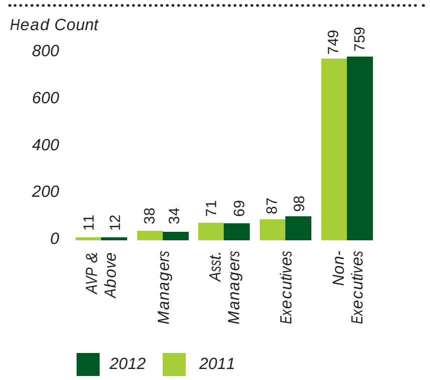


During the year, we reduced our temporary staff and increased the permanent cadre as experience has shown that permanent staff demonstrates greater commitment to achieving corporate goals.

Permanent vs Employees on contract



Head count at the end of the financial year



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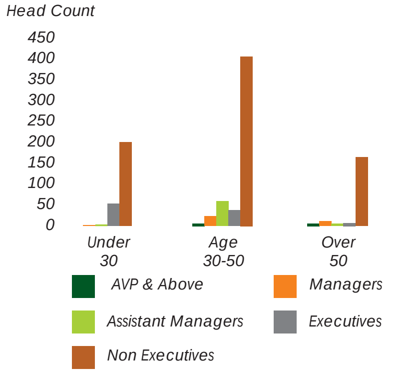
Age wise employee head count



Attrition	2011/12	2012/13
Employees who left during the period, aged below 30	24	38
Employees who left during the period, aged between 30 and 50	9	25
Employees who left during the period, aged above 50	12	2
Total	**45**	**65**
Attrition %	5%	7%

Investing in Training and Development

The Company invests heavily in training and development of its employees to help them realise their true potential. We have put into place an annual training needs analysis and annual training plan to ensure that the benefits of training reach all employees. In order to equip our staff to aspire towards corporate goals and empower them to succeed in an increasingly difficult economic situation, we use the Performance Management Review process to better identify training needs at three levels of employment - at group competency level, technical level and sector level.

In the next step, the Assessment Centre Programmes identify performance levels of employees to gauge their fit into assigned job roles to make sure we do not insert a 'square peg in a round hole'. We propagate the concept of 'the right person for the right job' and this is done by helping workers find the right fit for their career aspirations and then capabilities. The Development Centre continues to evaluate each individual on their readiness for the next level and future promotions and succession planning are based on these recommendations. The Company believes in a systematic approach to development of its senior, mid-level and factory shop floor staff and we have instituted set leadership-development and successions planning programmes amongst other measurement tools. Apart from enunciating their individual targets against the broad company goals, every employee is empowered with the appropriate knowledge and decision-making capacity to achieve their performance goals. Annually, we train about 15-20 University and technical course students in our operations so that they get a thorough grounding in the supply chain management process and understand the demands of the workplace.

Amount of training provided by Employee category:

Category	No. of Hrs 2011/12	No. of Hrs 2012/13
AVP & above	224	31
Manager	190	93
Assistant Managers	888	202
Executives	664	656
Non Executive	1408	9,899
Total	**3,374**	**10,881**

Driving Employee Satisfaction

Our exceptional focus on employee well-being and career progression drives our reputation as a great place to work. Individual achievements are singled out, highlighted and rewarded at annual events so as to motivate the rest of the staff to aspire to similar excellence. V-SPARC scheme (Value-Superior Performance and Recognition Creation) is a scheme cascaded down by John Keells Holdings, which rewards high achievers who epitomise Group values. The 'Chairman's Award' for the management cadre and above and the 'Employee of the Year Award' presented to Executives and Assistant Managers, are highly prized awards by employees who strive to deliver an excellent performance. The best way to keep employees engaged with the Company is to develop their potential, to impart a feeling that they are learning and growing with the Company, no matter how long they spend with us.

We believe this investment helps develop exceptional leaders from within our Company itself to lead the Company ahead. Our employees are covered under the umbrella of health and medical plans. Further, all employees are members of a Provident Fund and the Employee Trust Fund. As a result of our intense engagement with employees at all levels, attrition rates have been consistently low. Our move to increase permanent staff has paid further dividends in the way of driving employee loyalty.

Industrial Relations

The significance of strong industrial relations cannot be overemphasised. In our business, we employ a large labour force in our factory and along the supply chain. As a Company that has been in existence for over a century, we have devised a multi-pronged strategy to ensure a mutually-beneficial understanding. We enable social justice through fair employment practices and decent work, collective bargaining, employee representation and participation, union-management co-operation and skills development. The fact that we have zero labour unrest and no incidences of strikes or protests through the period under review reflects our deep bonds with our employees. The Company complies with internationally accepted ILO labour practices and standards as well as other relevant labour laws applicable to Sri Lanka. We have developed a culture of progressive industrial relations that drive productivity and efficiency while ensuring the development and well-being of our staff.

We have two labour unions with bargaining power and have collective bargaining agreements in place which are renewed every three years after intensive consultation with union leaders and finalised with common consent. About 59% of the total employees consisting of the non executive cadre are covered under collective bargaining agreements.

Collective Bargaining	
Total Number of Employees	972
No. of Employees covered under CBAs	569
Percentage of Employees covered under CBAs	59%

59% of employees covered under the Collective Bargaining Agreement (CBA)

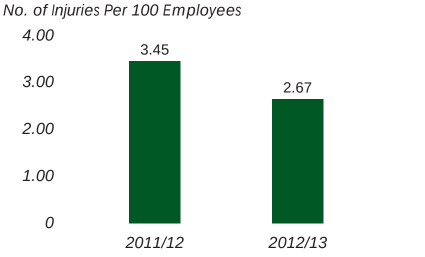
Our workforce is critical to our success in maintaining a smooth supply chain. The Company ensures an uninterrupted supply chain by renewing collective agreements on schedule and to the satisfaction of the workforce.

As a forward-thinking Company, the Company maintains a fair gender balance. Further, our employees receive free health insurance and medical care. We ensure channels of communication are open between management and employees and we leverage on a range of initiatives to achieve the goal of mutual understanding.

Occupational Health and Safety

Creating a safe work environment is critical to our business and in our experience, one of the best ways to retain staff and maximise productivity. We take our responsibility regarding health and safety in our workplace seriously. Our operations are in harmony with the Occupational Health and Safety (OH&S) laws and any new work health and safety laws. Over the years, we have worked with single-minded dedication to improving our Occupational Health and Safety (OH&S) record. The Company complies with international standards in Occupational Health and Safety to ensure the well-being of its workforce while on the job. Fire-fighting drills, safety awareness programmes, OH&S audits and Lead Auditing programmes were sustained through the year to ensure disaster preparedness. A specially appointed manager and a cross functional committee is responsible for the Company's OH&S compliance, which includes ensuring total health and safety within the manufacturing facility whilst also training the production team to practice health and safety measures. The graphs below indicate the efficacy of the health and safety measures that we have put into place and there is a marked decline in accidents on the job.

Injury rate



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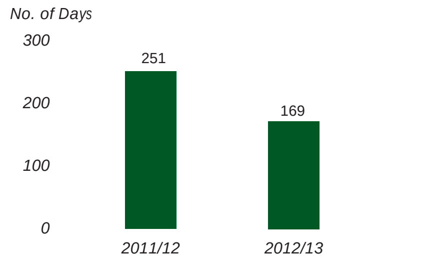
Total No. of Lost Days Due to Occupational Injury or Disease



Injuries	2011/12	2012/13
Total No. of Injuries Due to Falling	4	11
Total No. of Injuries Due to Exposure to Harmful Substances	1	1
Total No. of Injuries Due to Accidents Due to Moving Objects	23	14
Total No. of Injuries Due to Roadside Accidents	5	-
Total Injuries	**33**	**26**

21% reduction in accidents

Encouraging Employees' Children

The parent company, JKH, sponsors the higher education for deserving children of employees and this year we recommended several employees whose children have promising academic careers. JKH will provide a monthly stipend through the duration of the students' courses.

Work-Life Balance

The Elephant House team functions as an extended family and the management ensures there are enough occasions to celebrate the nation's religious and cultural heritage. A year-end Xmas party is one of the most eagerly awaited occasions as is the three day pilgrimage for employees, a talent show, singing competition and so on. These celebrations drive greater commonality and sense of cooperation amongst employees. Strong industrial relations form the cornerstone of our effective industrial relations policies and we remain committed to improving these to forge deeper bonds with our workforce on whom rests our business success.

Respecting Water as a Vital Resource

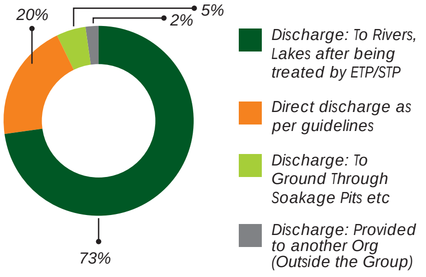
Ceylon Cold Stores actively practices Water Stewardship to improve the efficiency and cleanliness of water while also facilitating the sustainable management of shared freshwater resources. We understand the risks that poor management of water resources is one of the biggest threats to potable water sources in the world.

As a Company, our emphasis is on ensuring that we do not over-exploit water and that we reuse and recycle water to the greatest extent possible. Approximately 73% is treated at our waste water treatment plant and 20% is discharged directly through normal means. The Company's Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), oil, grease and pH; and Chemical Oxygen Demand (COD) levels are monitored by a third party assessor and corrective action is taken when necessary with regard to the quality of water discharge.

Ground water extraction	2011/12	2012/13
Ground Water Extracted (Liters)	547,441	395,270
Water Litres withdrawn per Litre of finished product	5.86	4.62

4.62 Liters of Ground water extracted per Liter of finished products

Total water discharge by quality and destination



Water Initiatives in 2012/13

The Company remained focused on conserving water as a vital resource and we launched many innovative means to reuse and treat water, in a bid to minimise our water footprint. Some of the key initiatives taken in the realm of water during 2012/13 are:

The UF plant further filters the effluent, to purify the content

- Ultra Filtration Plant: We have set up an ultra filtration plant through which about 200 m^3 a day is purified thus lessening the strain on the water table or aquifer.

- New Water Sump: The Company's newly-installed sump ensures uninterrupted water supply to our manufacturing operations.

- Reusing water: The recycled water is used for gardening purposes.

- Water conservation: A metershare has been installed to measure ground water extraction where possible.

- We hire a third party to do a regular water audit and to ensure PH alkaline levels are maintained in our manufacturing process.

- We have plans to convert the half-acre land that the Company owns alongside the effluents treatment plant into a wetland with indigenous flora and fauna to make full use of our water reuse initiative. The Company has an ongoing programme of community support by providing water to the neighbouring community on a daily basis.

Total Suspended Solids	**2011/12**	**2012/13**
TSS Levels: After being treated by ETP/STP	37	25

- As indicated above, we succeeded in lowering levels of TSS from 37 to 25, which marks a substantial improvement.

44% reduction in TSS levels

Environmental Protection & Energy Efficiency

Climate change is irreversibly linked to the sustainability of water supplies. Heat waves, floods and droughts are but a part of how planet earth will be impacted by irresponsible use of energy and excessive carbon emissions. At CCS, we understand how these factors are inextricably linked and therefore we have made a pledge to address each of these challenges the best way our business can. The Company's manufacturing systems and processes are constantly under our microscope – as we devise means by which we can have the least impact on the environment through responsible manufacturing. The Company's commitment to energy management has resulted in the setting up of the Energy Forum, which met regularly through the period under review to discuss global advances in the field whilst advocating new initiatives to strengthen our sustainability platform.

Energy saving initiatives undertaken during 2012/13:

- Rationalisation of the steam lines of the Ice Cream essence factory.
- Natural lighting in factory to minimise use of artificial lighting
- Six gas forklifts were replaced/bought during the year with electric fork lifts and as a result the gas saved in litres for the year is 54,000 litres. The rest of the fossil fuel powered forklifts will be gradually replaced. The benefits accruing from this would be fewer emissions, less noise pollution and lesser risk of contamination due to emission particles.
- Segregation of compressed air system for the Ice Cream factory.

One step towards sustainable operations – clean emission, electric fork lifts

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- Air conditioners have been converted to energy saving Inverter type models.
- A new cold room has been installed for an investment of Rs. 250 million that offers storage without having to use transportation to a third party location. Further, the use of screw type compressors and rapid roller shutters preserve energy in the cold room and deliver 20-30% energy savings. This has reduced the heavy duty transport vehicles the Company uses, thereby reducing our carbon footprint. An estimated 42 metric tons worth of fuel will be reduced due to the change in operation due to the lesser running of freezer trucks back and forth.

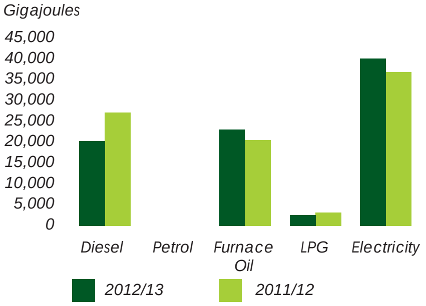
Future potential projects

- The use of bio mass boilers to reduce the Company's use of non-renewable fossil fuels.
- The concept of solar panels to source some of the factory's energy requirement.

Energy consumption in Gigajoules according to type	2011/12	2012/13	%
Diesel	26,591.74	19,944.31	-25%
Petrol	14.41	2.42	-83%
Furnace Oil	20,181.73	22,618.36	12%
LPG	3,240.63	2,473.51	-24%
Electricity	36,188.80	39,244.17	8%
Total energy consumption Gigajoules	**86,217**	**84,283**	**-2%**

Prior to the installation of the cold room, a third party used to store CCS products, but now this energy will be captured in our usage. In time, we aim to drive efficiencies of the supply chain to reduce electricity costs. During the period under review, a 2% reduction in Giga joule energy consumption was experienced as reflected in the graph below.

Energy consumption in Gigajoules



Responsible Packaging

Packaging is the largest contributor to a product's carbon footprint - accounting for between 30-70% of the total emissions. Using recycled materials in packaging and recycling the empty container after use can reduce the carbon footprint of a product by up to 60%. The nature of our business necessitates a large use of glass bottles and paper for packaging and labelling because of which we are active proponents of recycling. We are one of the pioneers in recycling glass bottles as also paper and waste packaging which are biodegradable. The Company is conscious of using glass bottles over PET bottles in view of the green properties of glass. Although we have introduced a PET range for the convenience of the consumer, our glass bottles are actively promoted. All plastics and glass are recycled.

Emissions, Effluents and Waste

Measuring Greenhouse gas emissions will help us gauge the global warming potential that an entity has on its environment.

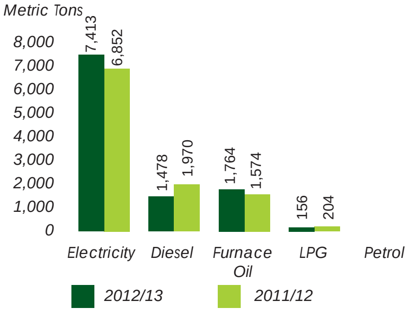
- Ginger waste is directed to a third party, which uses the waste in its manufacturing process.
- We have plans to invest further to recycle the water that we use in our manufacturing operations. Over the last couple of years we have spent more than Rs. 25 million in improving effluent treatment systems in accordance with the Central Environmental Authority's stipulations.
- The measurement of total waste created will help the firm identify whether there were any drastic increases in its wastage which impacts the environment.

Our new cold rooms contribute to the reduction in carbon foot print

Carbon Footprint in Metric Tons	2011/12	2012/13
Electricity	6,852	7,430
Diesel	1,970	1,478
Furnace Oil	1,574	1,764
LPG	204	156
Petrol	1	0
Total Footprint	**10,602**	**10,829**
YoY increase		2%

Due to the higher emissions per unit of energy consumed, electricity is the highest contributing carbon emission source at CCS. Due to the recent expansion in capacity, the Company's electricity consumption has increased in tandem and has resulted in higher carbon emissions from that source. Despite this, there has only been a 2% overall increase in carbon emission recorded and only a 2% increase in Carbon Footprint year-on-year. We expect to mitigate this increase through enhanced efficiencies. Also, the main reason for reduced diesel use is the installation of more efficient furnace oil boilers and the use of electric forklifts, which is a positive development.

Carbon Foot print in Metric Tons



2% increase in the Carbon Footprint YoY

Total Carbon Footprint Categorised by Type of Energy Source	Unit of Measurement	Usage	Giga joules	Emission factor (kgs per TJ)	Carbon footprint
Direct energy					
Emission Factor (Number of Kg of CO2 per Terajoule): Diesel	Litres	657,006.11	19,944.31	74,100	1,477.87
Emission Factor (Number of Kg of CO2 per Terajoule): Petrol	Litres	88.00	2.42	69,300	0.17
Emission Factor (Number of Kg of CO2 per Terajoule): Furnace Oil	Litres	714,049.00	22,618.36	78,000	1,764.23
Emission Factor (Number of Kg of CO2 per Terajoule): LPG	KG	56,256.00	2,473.51	63,100	156.08
Indirect energy					
Emission Factor (Number of Kg of CO2 per Terajoule): Electricity	Kwh	10,901,158.00	39,244.17	0.6816	7,430.23
Direct energy MT					**3,398.35**
Indirect energy MT					**7,430.23**
Total Carbon footprint MT					**10,828.58**
	2011/12	2012/13			
Energy consumed - Megajoules per Carbonated IC production Litre	2.58	3.96	54%		
Carbon Footprint per Carbonated IC Production Litre - Grams	**455g**	**510g**	**12%**		

SUSTAINABILITY REPORT CONTD.

47% of the waste is Reused/Recycled/ Recovered

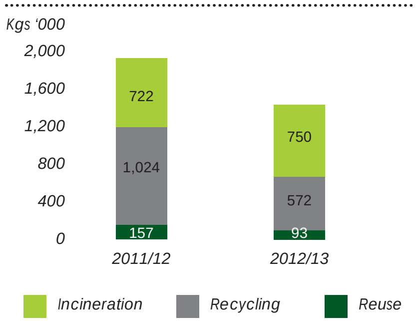
Waste Disposal

Waste has seen a significant decrease year on year. Total waste as a percentage of the 3R practice of reuse/recycle/recovery is 47%. This is an encouraging number because 47% of the waste could be considered sustainable. CCS recycles e-waste as per JKH guidelines.

EN22

Non-HAZARDOUS WASTE DISPOSAL in KGS	2011/12	2012/13
Amount of Non-Hazardous Waste Disposed Through Reuse	157,033	93,105
Amount of Non-Hazardous Waste Disposed Through Recycling	1,024,177	571,766
Amount of Non-Hazardous Waste Disposed Through Incineration	721,600	750,053
Total Non-Hazardous Waste Disposed	1,902,810	1,414,924

Non-hazardous waste disposal by method



Nature Sites Conservation Project

The Company has been closely involved in preserving the bio-diversity of our island through tree planting initiatives and cleaning of stagnant canals, weeding out overgrown vegetation and promoting hygiene. The extracted waste consisting of bottles and plastic was disposed of appropriately. In the past, the Company has facilitated the management of forests for the Forest Reserve Department by erecting name and direction boards, providing cloth bags, constructing two toilets at the car park and 16 rubble masonry structures for planting indigenous trees and printing leaflets for distribution to visitors on how to preserve the forests. In 2012/13, the Company sponsored conservation efforts undertaken in the nation's foremost national parks, waterfalls and reservoirs. We expect this gesture to go a long way in preserving the island's rich bio-diversity.

Sustainable Stakeholder Relations

In the recent past, Elephant House rebranded itself to reflect the 'good friends, good times' theme. This refreshing new identity enabled customers both young and old to make an instant emotional connection with the brand. Today, the brand inspires as much fizz and fun amongst youth, as much as it does fond memories of good friends and good times amongst the older generation for whom the brand has been their companion for their lifetime. We are proud of the fact that we engage with customers to understand their preferences, evolving with the times and changing consumer preferences. Our brand-customer bond is unshakeable and achieved through a variety of customer engagement methods apart from the usual above the line and below the line communication. Elephant House can always be found where there is fun to be had – social events, religious observances, sporting arena or personal celebrations. Consistency forms a key element in our longevity and brand recall. Further, we practice active customer outreach to convey our passion for our stakeholders and of our sustainability achievements so as to inspire all our stakeholders to join hands with us.

Through our beverages and frozen confectionery we deliver Quality, Choice and Value. According to Brand Finance's collation of Sri Lanka's most valuable brands in its annual Most Valuable Brands League, Elephant House and Keells Super have earned the commendable brand ratings of AA+ and A- (minus) respectively. Moreover, we adhere to Good Manufacturing Practices (GMP) and Good Hygiene Practices (GHP), in addition to the ISO and SLS certifications that we have obtained over the years to ensure that our products conform to standards.

Customer Focus

Elephant House has a superior quality control system in place from the beginning to end of the manufacturing line when it comes to our soft drinks and ice creams. However, in the rare case of any customer grievance at a purchase point, we have instituted an urgent redressal system. On receiving the complaint from the sales outlet, our quality personnel visit the site and follow up the details of the case. The product is then brought to the lab for testing and analyses to determine the problem. The marketing team then liaises with the customer until the matter has been laid to rest. In the meantime, our production team re-examines every step of our manufacturing line with a fine tooth comb to eliminate any gaps.

Pre-empting Customer tastes

The Company is constantly on the lookout to expand its product portfolio and will be introducing new flavours in both soft drinks and ice creams. During 2012/13, the Company introduced Choco Choc Chip, a premium dairy rich ice cream pitched at the premium range for customers who are willing to pay a higher price for a superior ice cream. On par with global ice cream brands, the flavour is priced one level lower to gain market share in that segment. We will expand our Lite range of ice creams as it has endeared itself to the calorie-conscious and to people who avoid sugar due to medical reasons. The Lite range demonstrates our commitment to ensuring the health and prosperity of our customers.

Research into natural pigmentation for red and yellow colours is progressing well. This research study is at an advanced stage and we expect this to benefit not only our products which use the colours, but to benefit the entire foods and beverage industry.

Certifications

The Company adheres strictly to advanced manufacturing practices including SLS Standards, ISO 9000 quality management system and ISO 22000 food safety management systems. Our quality process closely supervises all aspects of the process to drive manufacturing excellence. As a household brand, we remain closely engaged with our customers, listening to their feedback and incorporating any valuable insights we garner through consumer surveys. The Company will be applying for the OHSAS certification in May 2013. ISO 9001:2008

Awards received during 2012/13:

CIMA Business Case Awards 2012 - First Runner-up
ICASL Awards 2012 - Food and Beverages Sector - Silver Award
National Export - Gold - Medium Scale Agriculture category
SLIM Brand excellence - Gold Award - Best Turnaround Brand of the Year - Elephant House Ice Cream
SLIM Brand Excellence - Bronze Award - New Entrant Brand of the Year - Elephant House 2bar
SLIM-Nielsen Peoples Awards 2012 – Most Popular FMCG Beverage Brand of the Year - Elephant House Cream Soda
EFFIE Awards 2012 – Advertising Effectiveness Awards - Bronze Award for Necto
SLIM Nielsen People's Award for the FMCG Beverage Brand of the Year 2013 - Elephant House Cream Soda
SLIM Nielsen People's Award for FMCG Youth Beverage Brand of the Year 2013 – Joint Winner-Elephant House Cream Soda
Annual Energy Award Ceremony - Sri Lanka Sustainable Energy Authority - Merit Award

Associations which CCS holds Memberships in:

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


CREAM SODA
Elephant House
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ASK FOR IT BY NAME


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CORPORATE GOVERNANCE

Ceylon Cold Stores PLC (CCS) and its Subsidiary Jaykay Marketing Services (Private) Limited (JMSL) referred to as the "Group" and through its holding Company John Keells Holdings PLC (JKH) has a Corporate Governance philosophy founded on a culture of performance within a framework of conformance and compliance to succeed in today's competitive business environs in a manner that is sustainable and equitable to all our stakeholders.

This philosophy has been institutionalised at all levels in the Group through a strong set of corporate values and a written code of conduct that all employees, senior management and the Board of Directors are required to follow in the performance of their official duties and in other situations that could affect the Group's image.

The Directors and employees at all levels are expected to display ethical and transparent behaviour through their communication and role modeling. All the Group's recognition schemes insist, as a minimum, that all employees have lived the JKH values and the behaviour of the senior management of the Group, is monitored through an annual 360 degree feedback programme.

The Group is committed to the highest standards of business integrity, ethical values and professionalism in all its activities towards rewarding all its stakeholders with greater creation of value, year-on-year. Our governance framework which has been communicated to all levels of management and staff in individual businesses and functional units is based on the following:

- The Board is responsible to the shareholders to fulfill its stewardship obligations, in the best interest of the Company and its stakeholders.
- Maximising shareholder wealth-creation on a sustainable basis while safeguarding the rights of multiple stakeholders.
- The methods we employ to achieve our goals are as important to us as the goals themselves.
- No one person has unfettered powers of decision making.
- Building and improving stakeholder relationships is an integral aspect of board effectiveness and a responsible approach to business.
- Opting, when practical, for early adoption of best practice governance regulations and accounting standards.
- Our resolve to maintain strong governance practices which present strong commercial advantages especially through a lowering of our cost of capital as a result of the strengthened stakeholder confidence, particularly the confidence of our investors, both institutional and individual.
- The making of business decisions, and resource allocations, in an efficient and timely manner, within a framework that ensures transparent and ethical dealings which are compliant with the laws of the country and the standards of governance our stakeholders expect of us.

Corporate Governance Framework

The Corporate Governance Framework of the Group entails three key components as summarised below and the discussion within this report is sequenced to highlight the different elements that combine to ensure a robust and a sound governance framework.

1. Internal Governance Structure – Components that are embedded within the Group in order to execute governance related initiatives, systems and processes.
2. Assurance – Supervisory module of the Group Corporate Governance Framework.
3. Regulatory Framework – From an external perspective, adherence to laws and best practices plays a vital role in directing the Group towards conformance to established governance related laws, regulations and best practices. The Group's governance philosophy is practiced in full compliance with the following Acts, Rules & Regulations;

- Companies Act of 2007 – Mandatory Compliance
- Listing Rules of the Colombo Stock Exchange (CSE) – Mandatory compliance (Including subsequent revisions up to 1 April 2013)
- The Code of Best Practice on Corporate Governance as published by the Securities and Exchange Commission and the Institute of Chartered Accountants, Sri Lanka – Voluntary Compliance

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

Internal Governance Structure

Introduction

The Internal Governance Structure encompasses two main pillars as illustrated in the diagram and those are;

1. **Board of Directors and Senior Management Committees**

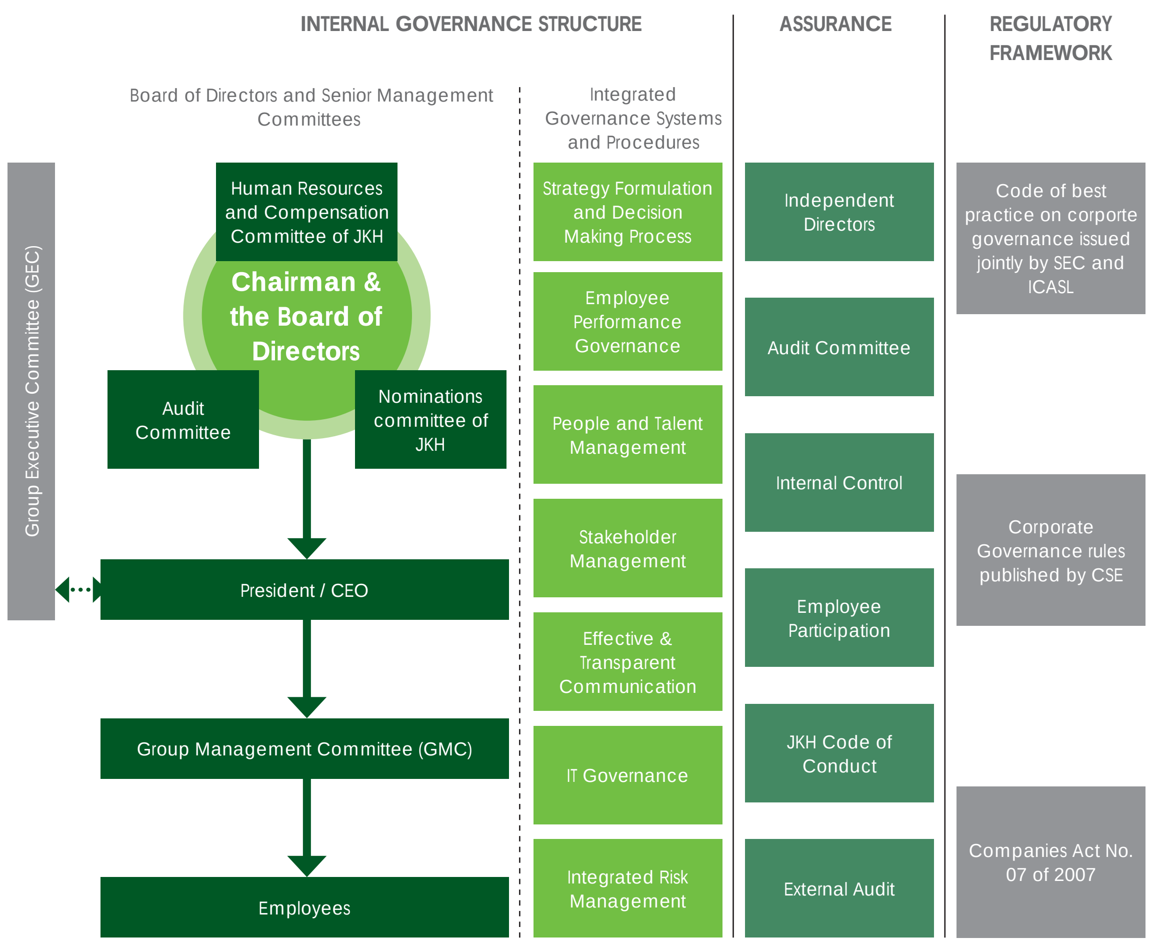
   Executive authority is well devolved and delegated through a committee structure ensuring that the President-CEO, and profit centre/functional managers are accountable for the Group and the business units/sub-functions respectively.

Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

2. **Integrated governance systems and procedures**
Promote good governance within the wider context of achieving sustainable success which is beyond mere conformance with regulations.

These mechanisms, within the internal governance structure, ensure implementation and execution towards upholding the Group's Corporate Governance framework.

Corporate Governance Framework



- All Board sub committees are chaired by Independent Directors.
- The Human Resources and Compensation Committee and the Nomination Committee of the Parent Company John Keells Holdings PLC. functions as the Human Resources and Compensation Committee and the Nomination Committee of the Company and the Subsidiary Company.
- The meetings of the Audit Committee are attended by President-CEO, Chief Financial Officer, Head Of Finance, Head of Risk Control and Review, and External Auditors by invitation.

CORPORATE GOVERNANCE CONTD.

Board of Directors and Senior Management Committees

Chairman and the Board of Directors

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

Please refer Board of Directors section for details on expertise, experience and qualifications of the Board of Directors.

Board responsibilities and decision rights

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

The John Keells Group Corporate Governance Framework expects the Board of Directors to:

- Ensure that no one person has unfettered powers of decision making.
- Recognise that the methods employed to achieve goals are as important as the goals themselves.
- Maintain strong governance practices which facilitate commercial advantages, especially through a lowering of cost of capital.
- Strengthen stakeholder confidence, particularly investors, both institutional and individual as well as the banks.
- Make business decisions and resource allocations, in an efficient and timely manner, within a framework that ensures transparent and ethical dealings.
- Comply with the laws of the country and other jurisdictions present and meet with stakeholder expectations surrounding the standards of governance to be maintained across the Group.
- Encourage proactive discussions with the relevant regulatory bodies to facilitate the implementation of matters pertaining to governance and related business reforms in Sri Lanka and other jurisdictions where the Group has major business interests.
- Opt, when practical, for early adoption of best practices.

Board Composition and Directors' Independence

As at 31st March 2013, the Board consisted of seven (7) Directors, of which three (3) are Non-Executive, Independent Directors. As at the last Annual General Meeting held on the 25th June 2012, the Board consisted of the same number of Directors.

The Board members have a wide range of expertise as well as significant experience in corporate, marketing, legal and financial activities enabling them to discharge their governance duties in an effective manner.

Name of Director	Executive/Non Executive	Independent/ Non Independent	Involvement/ Interest in Shareholding	Involvement/ Interest in Management	Involvement/ Interest in Supply Contracts	Continuously served for 9 years
Mr. S.C. Ratnayake - Chairman	Non Executive	Non Independent	Yes	No	No	Yes
Mr. A. D. Gunewardene	Non Executive	Non Independent	Yes	No	No	Yes
Mr. J. R. F. Peiris	Non Executive	Non Independent	Yes	No	No	Yes
Mr. J. R. Gunaratne	Executive	Non Independent	Yes	Yes	No	No
Mr. P. Jayawardene, PC	Non Executive	Independent	Yes	No	No	No
Prof. U. Liyanage	Non Executive	Independent	Yes	No	No	No
Mr. A. Rasiah	Non Executive	Independent	Yes	No	No	No

Non Executive/Independent Directors and the Board balance

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

The Company is conscious of the need to maintain an appropriate mix of skills and experience in the Board. Independence of the Directors has been determined in accordance with the criteria of the CSE Listing Rules, and the Board confirms that its present composition of Non-Executive Independent Directors is in line with the requirements of the CSE Listing Rules. The three independent Non-Executive Directors have submitted signed confirmations of their independence.

All Non-Executive Directors (NED) are encouraged to propose discussion items for the board meetings.

Conflicts of interest and independence

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

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

Board tenure, retirement and re-election

- The Executive Directors are appointed and recommended for re-election subject to their prescribed Company retirement age whilst Non Executive Directors are appointed and recommended for re-election subject to the age limit as per statutory provisions at the time of re-appointment

- At each Annual General Meeting one third of the Directors, retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment/re-appointment. In addition any new Director who was appointed to the Board during the year is required to stand for re-election at the next Annual General Meeting.

- The re-election of Directors ensures that shareholders have an opportunity to reassess the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders in advance to enable them to make an informed decision on their election.

- The names of the retiring Directors eligible for re-election this year are mentioned in the Notice of the Annual General Meeting of the Company.

Role of the Chairman of the Board

The Chairman is a non executive non independent Director. The Chairman conducts Board Meetings ensuring effective participation of all Directors. The

Prior to Appointment	Once Appointed	During Board Meetings
Nominees are requested to make known their various interests that could potentially conflict with the interests of the Company.	Directors obtain Board clearance prior to: • Accepting a new position. • Engaging in any transaction that could create a potential conflict of interest. All NEDs notify the Chairman of any changes to their current board representations or interests.	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 (abstentions, where applicable, from decisions, are duly minuted).

CORPORATE GOVERNANCE CONTD.

Chairman 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. The roles of the Chairman and the President/Chief Executive Officer (CEO) are separate with a clear distinction of responsibilities between them. The executive responsibility for the functioning of the Company's business including implementation of strategies approved by the Board and developing and recommending to the Board the business plans and budgets that support the Company's strategy has been entrusted to the President/CEO.

Access to Management Information

To ensure robust deliberation and optimum decision making, the Directors have access to:

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

Financial Expertise

The Board consists of two senior qualified Accountants with significant experience in the corporate sector. Both of them possess the necessary knowledge and expertise to offer the Board of Directors guidance on matters of finance. One Director serves as the Finance Director of the Parent Company whilst the other as the Chairman of the Audit Committee.

Board meetings and attendance

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

The attendance of the Directors at the Board Meeting held for the period 1st April 2012 to 31st March 2013 is as follows:

Directors	Date			
	24thJuly 2012	24th October 2012	30th January 2013	23rd April 2013
Mr. S. C. Ratnayake	✓	✓	✓	✓
Mr. A. D. Gunewardene	✓	✓	✓	✓
Mr. J. R. F. Peiris	✓	✓	✓	✓
Mr. J. R. Gunaratne	✓	✓	✓	✓
Prof. U. P. Liyanage	✓	✓	✓	✓
Mr. P. S. Jayawardena, PC	✓	✓	✓	✓
Mr. A. R. Rasiah	✓	✓	✓	✓

Board Directors delegation of authority

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

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

Group Executive Committee of the Parent Company

The Group Executive Committee (GEC) of the Parent Company, JKH is the overlay structure under the leadership and direction of the Chairman-CEO of JKH, which implements the policies and strategies determined by the JKH Board.

Policies that affect the JKH Group and strategic matters that can be synergised across the JKH Group are discussed at the GEC prior to it being recommended to the CCS Board.

Composition

As at 31 March 2013, the nine member GEC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director of JKH and the Presidents of each business/function of JKH.

Enablers of the JKH Operating model

GEC members not only play a mentoring role, but are accountable in full for the business units and functions under their purview. The Members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.

Group Management Committee (GMC)

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

Key objective

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

Scope

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

The GMC focus is aligned to headline financial and non-financial indicators, strategic priorities, and risk management, implement the strategies and policies determined by the Board, the use of IT as a tool of competitive advantage, new business development, continuous process improvements, management of the human resource and managing through delegation and empowerment, the business affairs of the respective sectors.

Responsibility for monitoring and achieving plans as well as ensuring compliance with Group policies and guidelines rests with the Presidents, the functional heads and the profit centre/functional managers where applicable.

Audit Committee

The Audit Committee comprises solely of Non-Executive, Independent Directors and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange. It is governed by a Charter, which inter alia, covers the reviewing of policies and procedures of Internal Control, business risk management, compliance with laws and Company policies and independent audit function.

The Committee is also responsible for the consideration and recommendation of the appointment of External Auditors, the maintenance of a professional relationship with them, reviewing the accounting principles, policies and practices adopted in the preparation of public financial information and examining all documents representing the final Financial Statements.

A quarterly self certification program that requires the President-CEO, Chief Financial Officer and the Head of Finance of the sector to confirm compliance, on a quarterly basis, with statutory requirements and key control procedures and to identify any deviations from the set requirements. In addition the President-CEO and the Operational Heads of the different business units are also required to confirm operational compliance with statutory and other regulations and key control procedures, coupled with the identification of any deviations from the expected norms. These have significantly aided the committee in its efforts in ensuring correct financial reporting and effective internal control and risk management.

The Audit Committee had five meetings during the year and attendance of the Audit Committee members are indicated in the Audit Committee Report on page 89.

The President-CEO, the CFO, the Head of Finance and other operational heads are invited to the meetings of the Audit Committee. The detailed Audit committee report including areas reviewed during the financial year 2012/13 is given on page 89 to 91 of the Annual Report.

Human Resources and Compensation Committee and Policy

The Human Resources and Compensation Committee of the Parent Company John Keells Holdings PLC functions as the Human Resources and Compensation Committee of the Company and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange

CORPORATE GOVERNANCE CONTD.

The Human Resources and Compensation Committee of the Parent Company consists of following four Non Executive Independent Directors:

Mr. Franklyn Amerasinghe - Chairman
Mrs. S. Tiruchelvam
Mr. I. Coomaraswamy
Mr. R. Gunesekara

The key principles underlying the Remuneration Policy of the Group are as follows:

- All executive roles across the JKH Group have been banded by an independent third party on the basis of the relative worth of jobs.
- Compensation be set at levels that are competitive to enable the recruitment and the retention of high caliber executives in the identified job classes/ bands – as guided by the best comparator set of companies (from Sri Lanka and the region, where relevant)
- Compensation, comprising of fixed (base) payments, short term incentives and long term incentives be tied to performance, both individual and organisational.
- Performance be measured annually on well-defined objectives and matrices at each level-individual, business and Group, thereby aligning shareholder interests through well established performance management system.
- The more senior the level of management, the higher the proportion of the incentive component, thereby lower the proportion of the fixed (base) component of total compensation.
- As the seniority, and therefore the decision influencing capability of the position on organisational results, increases, the individual performance to hold lesser weightage than the organisational performance when determining total compensation and incentives.

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

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

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

Going concern
The Board of Directors upon the recommendation of the Audit Committee is satisfied that the Company and the Subsidiary has sufficient resources to continue in operation for the foreseeable future. In the event that the net assets of the Company and the Subsidiary Company fall below a half of shareholders funds, shareholders would be notified and an extraordinary resolution passed on the proposed way forward.

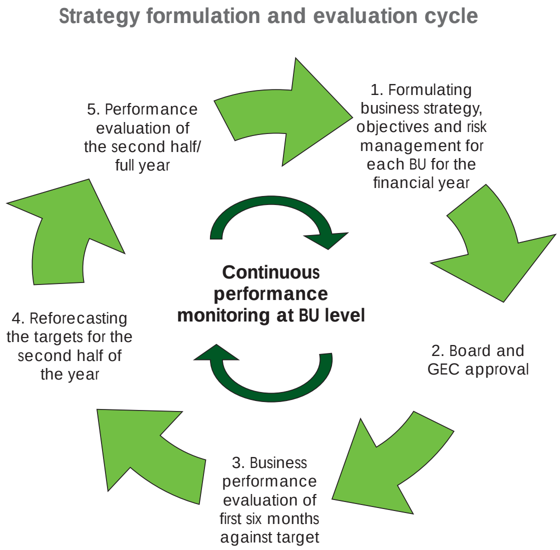
The going concern principle has been adopted in preparing the Financial Statements. All statutory and material declarations are highlighted in the Annual Report of the Board of Directors in the Annual Report. Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards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

Information in the Financial Statements of the Annual Report are supplemented by a detailed 'Management Discussion and Analysis' which explains to shareholders the strategic, operational, investment and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

Integrated governance systems and procedures

Integrated governance systems and procedures	Strategy formulation and decision making process
	Employee performance governance
	People and talent management
	Stakeholder management
	Effective and transparent communication
	IT governance
	Integrated risk management

Strategy formulation and decision making process



Step 1

Business Units and Functional Units of Group carry out detailed analysis on the following aspects when formulating strategies for the forthcoming financial year;

- Customer and stakeholder needs and the expectations of the society as a whole
- Organisation's capabilities to generate the required products and services
- Opportunities and threats that arise from competitive environments
- Risks associated with the operating landscape

Formulated strategies are presented to the Board of Directors of the Company and the Group Executive Committee of JKH by the respective business units for approval and the approved strategies are then translated into numbers where annual plans, key performance indicators (KPI) and targets for each business unit are set.

Step 2

The Board and the Group Executive Committee ensures that the key enablers of performance, together with organisational structures and processes are defined and are in place to ensure the delivery of its goals and objectives and approves annual plans.

Step 3

Upon the completion of the first half of the financial year the Board and the Group Executive Committee evaluates the performance of the businesses against the plan with deviations being noted along with the identification of corrective action.

Step 4

Reforecast Annual Plan for the second half of the financial year is presented to the Board and the Group Executive Committee for approval having taken into consideration changes taking place at both a macro and micro levels.

Step 5

Business performance during the second half of the financial year as well as the full financial year is evaluated against the reforecast plans and targets at the end of the financial year.

In addition to the periodic performance review by the Board and the Group Executive Committee, more frequent and detailed performance evaluations are taking place at regular intervals at business unit and GMC levels. The outcome of such performance evaluations acts as a key determinant in awarding short term incentives to respective employees.

Employee performance governance

Pay for performance

The employees are rewarded with a performance based scheme that is determined as follows:

Manager and above – given the high level of decision making authority, the performance is measured annually on well-defined individual as well as organisational objectives and matrices which reflect, and are positively correlated to the Company's objectives, thereby aligning employee management and stakeholder interests.

Assistant Manager and Executive level – measured only by the individual performance rating as it is difficult for these individuals to directly influence the performance of their respective business units.

CORPORATE GOVERNANCE CONTD.

Performance Management

'Pay for Performance'
Greater prominence is given to the incentive component of the total target compensation of the management.

Satisfaction

'Great Place to Work'
Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

COMPENSATION POLICY

- Compensation comprises of fixed (base) payments, short term incentives and long term incentives.
- Higher the seniority within the Group, higher the incentive component.
- Greater the decision influencing capability of a role, higher the weight given on organizational performance as opposed to the individual performance.
- Long term incentives in the form of Employee Share Options (ESOP).

Internal Equity

- Remuneration policy is built upon the premise to ensure an equal pay for equal roles.
- Manager and above level roles are banded using the Mercer Methodology for job evaluation on the basis of the relative worth of jobs.

External Equity

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

Equity sharing

The Employee Share Option Schemes (ESOPs) implemented by the Parent Company JKH, has been offered to employees of the Group at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels. Such options are offered at market prices prevailing on the date of the offer.

The equity sharing scheme has primarily paved the way for;

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

Under IFRS, ESOPs has to be accounted in the Financial Statements of individual companies with effect from 01st January 2012. However no award has been given for the employees since 01st January 2012.

People and talent management

The Group believes that shareholders' long term interests are well served by involving employees actively in safeguarding the Group Corporate Governance framework, where the employees are encouraged and empowered to positively contribute towards upholding the principles of Corporate Governance.

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

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

Employee involvement and empowerment

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights are defined for each level in order to instill a sense of ownership, reduce bureaucracy and speed-up the decision making process.

- A bottom-up approach is taken in the preparation of annual and five-year plans and the Group also ensures employee involvement and empowerment in the process.

- Employee relations are designed to enable, and facilitate, high accessibility by all employees to every level of management.

Stakeholder management

The Board views effective stakeholder management as a vital aspect in safeguarding the Group's Corporate Governance philosophy.

Employee relations

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

The Group also has skip level meetings where an employee can discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment. A detailed discussion on employee relations was discussed in the Effective and Transparent Communication section under Internal Governance Structure.

Dialogue with shareholders

The Group has opened up through the Parent Company, several channels to ensure sound communication with the shareholders.

Other stakeholders: Corporate social responsibility and sustainability

The Group recognises that it exists not only to maximise long term shareholder value but also to look after the rights and appropriate claims of many non-shareholder groups such as employees, consumers, clients, suppliers, lenders, environmentalists, host communities and governments.

Effective and transparent communication

Employee communication

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

- **Skip level meetings** - feedback on the Company and its management is obtained from different perspectives by holding regular skip level meetings at assistant manager and above levels.

- **360 degree evaluation** - opinion is obtained in the form of a 360 degree evaluation for employees at Manager level and above.

- **Online Forum** - used as a means of knowledge sharing and gathering new suggestions for new business opportunities and improvements.

- **Direct email address to the Chairman** - enables employees to bring to his notice any transgression of Group values when other established avenues have not yet yielded results.

- **Exit interviews** - practice of conducting exit interview for all employees at executive level and above where all such reports are forwarded to the respective Presidents and Executive Vice President for their comments which are subsequently discussed by GEC.

- **Voice of Employee survey** - Annual employee satisfaction surveys and dip stick surveys.

- **Great Place to Work Survey (GPTW)** - Obtain employee feedback to ensure Continuous focuses on creating a sound work environment covering all aspects of employee satisfaction

- **Corporate Communications** - The primary goal of corporate communications is to enhance and safeguard the 'John Keells' corporate brand, 'Elephant House' and 'Keells' brands. Accordingly, it engages in activities to build the brand amongst both current and prospective employees in addition to creating awareness amongst the general public at large.

CORPORATE GOVERNANCE CONTD.

Investor Communication
The Investor Relations team of the John Keells Group is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties, towards developing an effective investor communication channel. The Investor Relations unit of JKH is responsible for;

- Staying visible and building relationships
- Being factual
- Focusing on the long-term view and strength of the Statement of Financial Position
- Responding to queries and clarifying on concerns of investors
- Coordinating media relations and investor communications

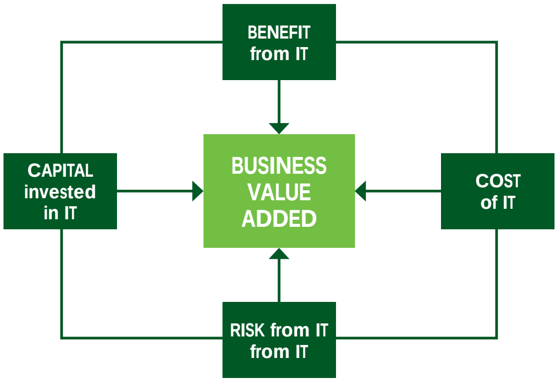
Constructive use of the Annual General Meeting (AGM)
Shareholders have the opportunity at the AGM, to put forward questions to the Board and to the Chairman and the Chairmen of the Audit Committee to have better familiarity with the Group's business and operational workings. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.

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

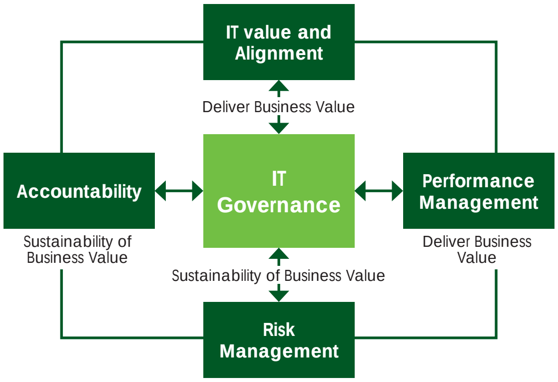
IT Governance
The Group believes that 'Information Technology' is a Strategic Asset and as such it needs to be managed to leverage competitive business benefits for the Group. To achieve the same, the Information Technology Governance frame work is built upon the following set of primal objectives:

- Leverage IT as a Strategic Asset
- Create an 'Agile Governance Model'
- Create better Alignment between business and IT
- Create greater business value with our investments in IT
- Create a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best practices in line with world-class organisations

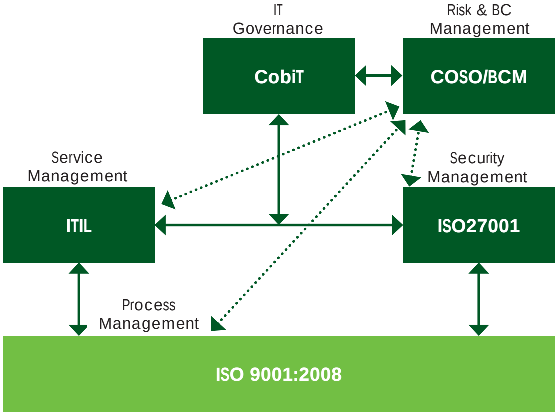
The basic philosophy of the IT Governance is based on Business Value Creation vis-à-vis Capital, Benefit, Cost and Risk.



The Governance is based on the following model in aligning IT Value, Performance, Risk and Accountability across the Group through well-defined governance structures, procedures and policies.



The Governance Framework used within the Group leverages best practices and industries leading models such as CoBIT, ISO 35800, COSO/BCP, ITIL, ISO27001, ISO 9000:2008 in giving us a best of broad framework as highlighted below:



Based on the above the Group IT Strategy Map is drawn as detailed in table below:

Drivers & Objectives	Architectural Views	Products & Results
• IT & Business Alignment	**Contextual Business Model – Why?**	• IT Strategy • Services Catalogue • IT Blue Print
• Business Requirements • Organisational Considerations	**Conceptual Process Model – What?**	• Change Management • TCO & Business Case
• Benefit/Risk Identification • Partnerships & Collaboration	**Logical System – How?**	• Trade-offs & Alternatives • Priority Refinement
• System Requirements • Standards & Constraints	**Component Model – With What?**	• Solution Enablement
• Governance • Best Practises	**Operational Life-cycle Management**	• Advocacy • Congruent Methodologies
	Continuous Improvements	

All of the above is governed through layered and nested committees, cascading from the JKH Group's Executive Committee to JKH Group IT Management Committee to the Company and the Subsidiary IT Operation Committee with well-defined roles and responsibilities at a Group, Sector and Business unit level.

Integrated Risk Management

The GMC has adopted a JKH Group-wide risk management programme with focus on wider sustainability development, to identify, evaluate and manage significant risks and to stress-test various risk scenarios which the Group has adopted. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving shareholder and other stakeholder wealth.

Following steps are taken towards promoting Group's integrated risk management;

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

The detailed Risk Management report of the Annual Report describes the process of risk management as adopted by the Group and the identified key risks to the achievement of the Group's strategic business objectives.

Shareholder relations

Assurance

The 'Assurance' element is the supervisory module of the Group Corporate Governance Framework, where a range of assurance mechanisms such as monitoring and benchmarking are used with effectiveness tests carried out, and corrective actions being proposed and implemented.

Employee participation in Assurance

Whistleblower policy

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

Ombudsperson

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

The findings and the recommendations of the Ombudsperson arising subsequent to an independent inquiry is confidentially communicated to the Chairman upon which the duty of the Ombudsperson ceases.

The Chairman will place before the Board;

i. The decision and the recommendations
ii. Action taken based on the recommendations
iii. Where the Chairman disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

CORPORATE GOVERNANCE CONTD.

In situation (iii) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairman is expected to take such steps as are necessary to ensure that the complainant is not victimized for having invoked this process.

Securities trading policy
The Group's securities trading policy prohibits all employees and agents engaged by JKH who are aware of unpublished price sensitive information from trading in JKH shares or the shares of other companies in which the Group has a present business interest.

The Board, GEC, GOC as well as certain identified employees in senior executive roles who are privy to JKH's results in part or in full prior to their availability to the public are prohibited from trading during periods leading up to the release of quarterly and annual results, new investments, particularly mergers and acquisitions, announcements of scrip issues and dividend payments.

The JKH Group adopts a zero tolerance policy against the employees who are violating these policies.

Monitoring of financial data
Actual financials are compared against the original plan on a monthly basis and material variances are identified and explanations are discussed at the GMC whilst a mid year reforecast is done where necessary.

The President, Heads of business units and Functional Managers are able to view either online or by circulation, the information relevant to their areas of responsibility. The Chairman, Non Independent-Non Executive Directors and Executive Director are able to view key financial information for all Group companies on a real time basis via the Group ERP system.

Internal Control
The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and internal control systems remain effective via the review and monitoring of such systems on a periodic basis. A brief description of some of the key internal control systems are listed below:

Internal compliance
A quarterly self-certification programme requires the President-CEO, Chief Financial Officer the Head of Finance to confirm compliance with financial standards and regulations. Further the President-CEO and the Heads of business units are required to confirm operational compliance with statutory and other regulations and key control procedures, and also identify any significant deviations from the expected norms.

Internal auditors
The role of the internal auditor has been transformed into a value adding function instead of merely a 'policing' function, where audit findings form an integral input in modifying and improving our internal processes.

The risk review programme covering the internal audit of the Company is outsourced to Messrs. PriceWaterhouseCoopers (Private) Limited, a firm of Chartered Accountants and that of the Subsidiary is outsourced to BDO Partners – Chartered Accountants and the 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 respective President/CEO of the Company and the Subsidiary are forwarded to the 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. Follow-ups on internal audits are done on a structured basis.

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

Code of Conduct

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

Group Values
The objectives of the Code of Conduct are being further preserved by a strong set of corporate values which were re-launched during the financial year 2011/12 by the John Keells Group which are applicable to both the Company and the Subsidiary as well. The Group values

are well institutionalised at all levels within the Group and linked to the reward and recognition schemes.

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

External Audit

Ernst & Young are the external auditors of the Company as well as of the Subsidiary. They also audit the Consolidated Financial Statements.

In addition to the normal audit services, Ernst & Young and the other external auditors, also provided certain non-audit services to the Group. However, the lead/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 respective audit committees and are assessed to ensure that there is no compromise of external auditor independence.

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

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

Corporate Governance Regulatory Framework

Compliance with Legal Requirements

The Board through the JKH Group Legal division, and its other operating structures, strives to ensure that the Company and its Subsidiary comply with the laws and regulations of the country.

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

Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS), as set by the Institute of Chartered Accountants of Sri Lanka, are those, which govern the preparation of the Financial Statements.
The Board is aware of the growing importance of the disclosure of critical accounting policies as a part of good governance and are of the opinion that there are no instances where the use of such concepts would have a material impact on the Company's and the Group's financial performance.

Information on the Financial Statements of the Annual Report are supplemented by a detailed 'Management Discussion and Analysis' which explains to shareholders the strategic, operational, investment, sustainability and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

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

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

Future Outlook

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

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

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Our key areas of focus will be:

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

Levels of Compliance with the Colombo Stock Exchange's new listing rules - Section 7.10, Rules on Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1(a)	Non Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors.	Compliant	Corporate Governance Report
7.10.2(a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be independent.	Compliant	Corporate Governance Report
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/Non-Independence in the prescribed format.	Compliant	Available with Secretaries for Review
7.10.3(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Compliant	Corporate Governance Report
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Compliant	Corporate Governance Report
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Directors areas expertise.	Compliant	Board of Directors profile section in the Annual Report
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Compliant	No new Director was appointed during the year.
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria	Compliant	Corporate Governance Report
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Corporate Governance Report
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Compliant	Corporate Governance Report
7.10.5.(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	Corporate Governance Report

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out, a. Names of Directors comprising the Remuneration Committee b. Statement of Remuneration Policy c. Aggregated remuneration paid to Executive and Non-Executive Directors	Compliant Compliant Compliant	Corporate Governance Report Do- Refer Note 09 Notes to the Financial Statements
7.10.6	Audit Committee	The Company shall have an Audit Committee.	Compliant	Corporate Governance Report
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be Independent. A Non-Executive Director shall be appointed as the Chairman of the Committee. Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings. The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant Compliant Compliant Compliant	Corporate Governance Report Do Do Do
7.10.6(b)	Audit Committee Functions	Functions shall include; a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards. b. Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. c. Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. d. Assessment of the independence and performance of the external auditors. e. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.	Compliant	Corporate Governance Report and the Audit Committee Report Do Do

CORPORATE GOVERNANCE CONTD.

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant.	The Report of the Audit Committee
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Compliant	Do
		c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Compliant	Do

Code of Best practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICSL)

(Issued on 1st July 2008)

A. Directors

Code of Best Practices	Compliance Status	Action
A. 1 The Board		
A. 1 Company to be headed by an effective Board to direct and control the company	✓	The Board of Directors, along with the Chairman, is the apex body responsible and accountable for the stewardship function of the Group. The Directors are collectively responsible for upholding and ensuring the highest standards of Corporate Governance and inculcating ethics and integrity across the Group.
A. 1. 1 Regular Board meetings	✓	The Board of CCS meets at least once a quarter.
A. 1.2 Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions	✓	Powers specifically vested in the Board to execute and gratify their responsibility include: • Providing direction and guidance to the Company and the Subsidiary Company in the formulation of its strategies, with emphasis on the medium and long term, in the pursuance of its operational and financial goals. • Reviewing and approving annual budget plans. • Reviewing HR processes with emphasis on top management succession planning. • Monitoring systems of governance and compliance. • Overseeing systems of internal control and risk management. • Determining any changes to the discretions/authorities delegated from the Board to the executive levels. • Reviewing and approving major acquisitions, disposals and capital expenditure. • Approving any amendments to constitutional documents.

Code of Best Practices	Compliance Status	Action
A. 1. 3 Act in accordance with the laws of the country and obtain professional advice as and when required	✓	The Board seeks independent professional advice when deemed necessary. During the year under review, professional advice was sought on various matters, including the following: • Employee satisfaction survey and employee compensation and benefit survey done to ensure that the Group is considered “more than just a work place” by the employees. • Legal, tax and accounting aspects, particularly where independent external advice was deemed necessary in ensuring the integrity of the subject decision. • Market surveys, research and expert opinion on the products and services offered as necessary for business operations. • Actuarial valuation of retirement benefits and valuation of property including that of investment property. • Specific technical know-how and domain knowledge required for identified project feasibilities and evaluations.
A. 1. 4 Access to advice and services of the Company Secretary	✓	To ensure robust deliberation and optimum decision making, the Directors have access to the services of the Company Secretaries whose appointment and/or removal is the responsibility of the Board.
A. 1. 5 Bring Independent judgment on various business issues and standards of business conduct	✓	Every member of the Board has dedicated adequate time and effort in discharging their duties as a Director and thereby brings independent judgment on various business issues.
A. 1. 6 Dedication of adequate time and effort	✓	Every member of the Board has dedicated adequate time and effort for the affairs of the Company by attending Board meetings, Board sub-committee meetings and by making decisions via circular resolutions. In addition, the Board members have meetings and discussions with management when required. The Board met on four occasions during the year and the Chairman and all Directors attended all meetings. The Board is satisfied that the Chairman and the Non-Executive Directors committed sufficient time during the year to fulfil their duties.
A. 1. 7 Board induction & training	✓	In instances where Non-Executive Directors are newly appointed to the Board, they are apprised of the: • Values and culture. • Operations of the Group and its strategies. • Operating model. • Policies, governance framework and processes. • Responsibilities as a Director in terms of prevailing legislation. • The Code of Conduct demanded by the Company. • Brief on important developments in the business activities of the Group. The Board policy on Directors’ training is to provide adequate opportunities for continuous development, subject to requirement and relevance for each Director. The Directors are constantly updated on the latest trends and issues facing the Company and the industry in general.

CORPORATE GOVERNANCE CONTD.

Code of Best Practices	Compliance Status	Action
A. 2 Chairman and Chief Executive Officer		
A.2 Division of responsibilities between the Chairman and CEO	✓	The positions of Chairman and CEO are separated to ensure a balance of power and authority and to prevent any one individual from possessing unfettered decision making authority.
A. 2. 1 Decision to combine the roles of the Chairman and the CEO in one person	✓	In accordance with best practice and in order to maintain a clear division of responsibilities, the roles of Chairman and CEO have not been combined.
A. 3 Chairman's Role		
A. 3 Preserving order and facilitating the effective discharge of Board functions	✓	The Chairman is responsible for leading the Board and for its effectiveness. In practice, this means taking responsibility for the Board's composition, appraisal and development, ensuring that the Board focuses on its key tasks and supports the President-CEO. The Chairman is also the ultimate point of contact for shareholders, particularly on Corporate Governance issues. The Board continued to have three independent Non-Executive Directors during 2012/13 in accordance with best practice.
A 3.1 The Chairman should ensure Board proceedings are conducted in a proper manner	✓	The Chairman is instrumental in; • Leading the Board for its effectiveness. • Directing the Board towards discharging stakeholder duties. • Setting the tone for the governance and ethical framework. • Ensuring that constructive working relations are maintained between the Executive and Non-Executive members of the Board. • Guaranteeing that the Board is in control of the Company's affairs.
A. 4 Financial Acumen		
A. 4 The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Two out of the seven Board members hold membership in professional accounting bodies.
A. 5 Board Balance		
A. 5. 1 Number of Executive and Non Executive Directors on the Board.	✓	As at 31st March 2013, the Board consisted of seven Directors, with three being Non-Executive, Independent Directors
A 5. 2 "Independence" of Non – Executive Directors	✓	Compliant with the rules which require a minimum of two independent Non-Executive Directors on the Board. Mr. A. R. Rasiah, Prof U. P. Liyanage, Mr. P. S. Jayawardene continued to be Independent Non- Executive Directors during the year 2012/13. Accordingly, the Company continued to be in compliance with the requirement to have the higher of two, or one third of Non-Executive Directors, as "Independent" Non-Executive Directors.

Code of Best Practices	Compliance Status	Action
A. 5. 3 Definition of independent directors	✓	All the independent directors of the CCS Board are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A. 5. 4 Declaration of independent directors	✓	Each Non-Executive Director has submitted a signed and dated declaration of his/her independence.
A. 5. 5 Disclosure of names of Non-Executive Directors who are deemed to be "independent"	✓	The names of the independent Non-Executive Directors are disclosed in the annual report.
A. 5. 6 Appointment of Senior Independent Director (SID)	N/A	The requirement to appoint a Senior Independent Director does not arise as the roles of Chairman and CEO are separated.
A. 5. 7 Availability of SID for confidential discussions with other Directors	N/A	Not Applicable
A. 5. 8 The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present	✓	Whilst there is no formal structure to have such meetings, Chairman has an open door policy to allow Independent Directors to have a discussion on any issue which in their opinion is significant. During the year under review Chairman had discussions with Independent directors on an informal basis.
A. 5. 9 Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	✓	All the Board meeting proceedings are comprehensively recorded in the Board Minutes.
A. 6 Supply of information		
A. 6.1 Board should be provided with timely information to enable it to discharge its duties	✓	The Board is provided with; • Information as is necessary to carry out their duties and responsibilities effectively and efficiently. • Information updates from management on topical matters, new regulations and best practices as relevant to the Group's business. • External and internal auditors. • Experts and other external professional services. • Periodic performance report. • Senior management under a structured arrangement.
A. 6. 2 Timely submission of the minutes, agenda and papers required for the board meeting.	✓	The Board papers are circulated a week prior to Board meetings.
A. 7 Appointments to the Board		
A. 7 Formal and transparent procedure for Board appointments	✓	Board appointments follow a transparent and formal process within the purview of the Nominations Committee of the Parent Company. There were no new Board appointments during the year 2012/13

CORPORATE GOVERNANCE CONTD.

Code of Best Practices	Compliance Status	Action
A. 7. 1 Nomination Committee to make recommendations on new Board appointments	✓	It is the responsibility of the Nominations Committee of the Parent Company to identify and propose suitable candidates for appointment as Non-Executive Directors to the Board of CCS as and when required, in keeping with the target board composition and skill requirements.
A. 7. 2 Assessment of the capability of Board to meet strategic demands of the Company	✓	The emerging needs, combined with the objectives and the strategies set for the future are considered key when identifying skill sets required by potential Board members, especially skills that may not be readily available within Sri Lanka. Based on these requirements the Nominations Committee scans the external environment to identify potential candidates that can add value to the existing Board.
A. 7. 3 Disclosure of New Board member profile and Interests	✓	Currently the Board members have varying qualifications in economic, environmental and social topics and are involved in many committees and associations that serve the business community as a whole. Refer Board Member Profiles for more information.
A. 8 Re election		

A. 8 / A. 8. 1 / A. 8. 2 Re-election at regular intervals and should be subject to election and re-election by shareholders	✓	• The Executive Director is appointed and recommended for re-election until his prescribed Company retirement age.
		
		• The Non-Executive Directors are appointed for a term of three years, ideally up to a maximum of three terms each, subject to the age limit as per statutory provision at the time of re-appointment following the end of term.
		
		• One third of the Directors, except the Chairman retire by rotation on the basis prescribed in the articles of the Company. A Director retiring by rotation or a Director who is subject to appointment is eligible for re-election by a shareholder resolution at the AGM.
		
		• The resolutions for the AGM to be held on 25th June 2013 cover re-election of:
		  • Mr. P. S. Jayawardena
		  • Mr. A. D. Gunewardene

Code of Best Practices	Compliance Status	Action
A. 9 Appraisal of Board performance		
A. 9. 1 The Board should annually appraise itself on its performance in the discharge of its key responsibilities	✓	Although no formal process has been established, the openness and the keenness displayed by the the Executive and Non-Executive Directors reflect the regular review of the Board performance.
A. 9. 2 The Board should also undertake an annual self-evaluation of its own performance and that of its Committees	✓	
A. 9. 3 The Board should state how such performance evaluations have been conducted	✓	
A. 10 Disclosure of information in respect of Directors		
A. 10. 1 Profiles of the Board of Directors		Refer Board profiles section
A. 11 Appraisal of the Chief Executive Officer		
A. 11. 1 / A. 11. 2 Appraisal of the CEO against the set strategic targets	✓	The Chairman and the Non Executive-Non Independent Directors appraises the performance of the CEO of the Company and the CEO of the Subsidiary on the basis of pre-agreed objectives for the Company and the Subsidiary set in consultation with the Board.

B. Directors Remuneration

Code of Best Practices	Compliance Status	Action
B. 1 Remuneration procedure		
B. 1. 1 The Board of Directors should set up a Remuneration Committee	✓	The Human Resources and Compensation Committee of JKH acts as the remuneration committee of the Group and functions within agreed terms of reference. Details and composition of the Human Resources and Compensation Committee is provided in the "Human Resources and Compensation Committee and Policy" section in the Corporate Governance Report.
B. 1. 2 Remuneration Committees should consist exclusively of Non-Executive Directors	✓	The Human Resources and Compensation Committee only consists of Non-Executive Directors and headed by the Senior Independent Director of JKH.
B. 1. 3 The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	✓	Refer details on Board Committees

CORPORATE GOVERNANCE CONTD.

Code of Best Practices	Compliance Status	Action
B. 1. 4 Determination of the remuneration of Non-Executive Directors	✓	NEDs receive a fee for devoting time and expertise for the benefit of the Group in their capacity as Director and additional fees for either chairing or being a member of a committee. NEDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group's pension plans or share option plans. Non-Executive fees are not time bound or defined by a maximum/minimum of hours committed to the Group per annum, and hence are not subject to additional/lower fees for additional/ lesser time devoted.
B. 1. 5 Access to professional advice	✓	The Human Resources and Compensation Committee has access to professional advice from within and outside the Company.
B. 2 The level and makeup of Remuneration		
B. 2. 1 to B. 2. 4 Performance related elements in pay structure and alignment to industry practices	✓	The remuneration of the Senior Management has a higher component of variable component relative to the lower rank executives because of the impact on decision making.
B. 2. 5 Executive share options should not be offered at a discount	✓	The senior management is entitled to participate in the share option scheme initiated by the JKH Group. Executive share options were not offered at a discount.
B. 2. 6 Designing schemes of performance-related remuneration	✓	Basis of performance related remuneration schemes are known up front. In terms of long term incentive schemes, the senior management is entitled to participate in the share option scheme initiated by the JKH Group. Performance related remuneration schemes are not applied retrospectively. Annual bonuses are not pensionable. Non-Executive Directors are not eligible to performance based remuneration schemes.
B. 2. 7 / B. 2. 8 Compensation commitments in the event of early termination of the Directors	✓	There are no terminal compensation commitments other than gratuity in the Company's contracts of service.
B. 2. 9 Level of remuneration of Non-Executive Directors.	✓	Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable companies. The fees received by NEDs are determined by the Board and reviewed annually.
B. 3 Disclosure of Remuneration		
B. 3 / B. 3. 1 Disclosure of remuneration policy and aggregate remuneration	✓	In accordance with the guidelines of the Securities and Exchange Commission of Sri Lanka aggregate remuneration paid to Executive and Non-Executive Directors during the financial year 2012/2013 is disclosed in Note 09 Notes to the Financial Statements.

C. Relations with Shareholders

Code of Best Practices	Compliance Status	Action
C. 1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings Shareholders have the opportunity at the AGM to put forward questions to the Board and to the Chairman, President-CEO and the Chairmen of the Audit Committee, to have better familiarity with the Group's business and operational workings.		
C. 1. 1 Counting of proxy votes	✓	Complied
C. 1. 2 Separate resolution to be proposed for each item	✓	Complied
C. 1. 3 Heads of Board subcommittees to be available to answer queries	✓	Head of the Audit Committee, CEO and CFO are available to answer queries
C. 1. 4 Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	✓	Notice of the AGM and related documents are sent to shareholders along with the Annual Report within the specified period. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.
C. 1. 5 Summary of procedures governing voting at General meetings to be informed	✓	A summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders 15 working days prior to the AGM.
C. 2 Major Transactions		
C. 2. 1 Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets	✓	All material and price sensitive information about the Company is promptly communicated to the Colombo Stock Exchange, where the shares of the Company are listed, and released to the press and shareholders. The Group also publishes Quarterly Interim Financial Statements.

D. Accountability and Audit

Code of Best Practices	Compliance Status	Action
D. 1 Financial Reporting		
D. 1. 1 Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	✓	The Board of Directors in consultation with the Audit Committee have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual Financial Statements. All price sensitive information has been made known to the Colombo Stock Exchange, shareholders and the press in a timely manner and in keeping with the regulations.
D. 1. 2 Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	✓	All statutory and material declarations are highlighted in the Annual Report of the Board of Directors in the Annual Report.

CORPORATE GOVERNANCE CONTD.

Code of Best Practices	Compliance Status	Action
D. 1. 3 Statement of Directors' responsibility	✓	Refer Statement on Directors' Responsibility
D. 1. 4 Management Discussion and Analysis	✓	Refer Management Discussion and Analysis Section
D. 1. 5 The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	✓	The Board of Directors upon the recommendation of the Audit committee is satisfied that the Company and the Subsidiary Company have sufficient resources to continue in operation for the foreseeable future.
D. 1. 6 Remedial action at EGM if net assets fall below 50% of value of shareholders' funds.	✓	In the unlikely event that the net assets of the Company fall below a half of shareholders' funds, shareholders would be notified and an extraordinary resolution passed on the proposed way forward.
D.2 Internal Control		
D. 2. 1 Annual review of effectiveness of system of Internal Control and report to shareholders as required.	✓	The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and internal control systems remain effective via the review and monitoring of such systems on a periodic basis. What follows is a brief description of some of the key systems.
D. 2. 2 Internal Audit Function	✓	The internal audit function in the Company and the Subsidiary Company is not outsourced to the external auditor of that Company in a further attempt to ensure external auditor independence. The Auditors' report on the Financial Statements of the Company for the year under review is found in the Financial Information section of the Annual Report. The role of the internal auditor of the Group, has transformed into a value adding function instead of merely a 'policing' function, where audit findings form an integral input in modifying and improving our internal processes.
D. 3 Audit Committee		
D.3.1 The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board.	✓	The Audit Committee comprises of three independent non-executive Directors.
D.3.2 Terms of reference, duties and responsibilities	✓	The Audit Committee has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies. The Committee is also responsible for maintaining the relationship with the external auditors and for assessing the role and the effectiveness of the Group Business Process Review Division.
D.3.3 The Audit Committee to have written Terms of reference coving the salient aspects as stipulated in the section.	✓	The Audit Committee has written terms of reference outlining the scope.

Code of Best Practices	Compliance Status	Action
3.4 Composition of the Audit Committee, independence of the Auditors	✓	Refer Audit Committee Report.
D. 4 Code of Business Conduct and Ethics		
D.4.1 Availability of a Code of Business Conduct and Ethics and an affirmative declaration that the Board of Directors abide by such Code.	✓	The written Code of Conduct, to which all the employees including the Board of Directors are bound by, engraves the desired behaviors of the staff at executive and above level, particularly the senior management. This is being constantly and rigorously monitored.
D.4.2 The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code.	✓	The Chairman of the Board affirms that there has not been any material violations of any of the provisions of the Code of Conduct. In the instances where violations did take place, or were alleged to have taken place, they were investigated and handled through the Company's well established procedures which, among others, include direct and confidential access to an independent, external ombudsperson as discussed above.
D.5 Corporate Governance disclosures		
D.5.1 The Directors should include in the Company's Annual Report a Corporate Governance Report	✓	A Corporate Governance Section is included in the Annual Report.

E. Institutional investors

E. 1 Shareholder voting		
E.1.1 A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	✓	The AGM is used as a forum to have a structured, objective dialogue with shareholders. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.
E. 2 Evaluation of Governance Disclosures		
E.2. Encourage institutional investors to give due weight to relevant governance arrangements	✓	The Corporate Governance report in the annual report sets out the Company's governance arrangements.

F. Other Investors

F.1 investing Divesting decision		
F.1 Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	✓	The Company, through the Parent Company's Investor Relations division maintains an active dialogue with shareholders, potential investors investment banks, stock brokers and other interested parties. Also the annual report contains sufficient information to help make an informed decision.
F.2 Shareholder Voting		
F.2 Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	✓	All steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period. Shareholders exercise their voting rights for the election of new Directors, new long term incentive schemes or any other issue of materiality that requires a shareholder approval.

ENTERPRISE RISK MANAGEMENT

Introduction

Ceylon Cold Stores PLC is exposed to various forms of industrial, operational, environmental and financial risk arising from transactions entered into and the economic environment within which it operates. Enterprise Risk Management (ERM), an integral part of 'Sustainability' at John Keells Group, forms a part of our business process. The objective of the Risk Management Strategy of the Company is to identify and manage risk, risk mitigation, harness opportunities, adopt to changing environment and adopt long term and short term strategies which link well with the overall objectives of the Company and the John Keells Group.

The annual risk management cycles begins at the Business Unit level, constituting the 'bottom-up' approach to ERM, where risk management is believed to be an integral part of strategic decision making. Risks are identified and assessed through a Risk Control Self-Assessment (RCSA) document unique to the John Keells Group. Business Units rate their level of risk for each identified risk event using an evaluation of the expected severity of impact of the risk event and the likelihood of its occurrence. During the year, the John Keells Group introduced guidelines on the evaluation of the severity of impact and likelihood of occurrence with the objective of achieving increasing uniformity in risk assessment by Business Units. Further, the introduction of velocity of impact of a risk event, or the speed at which the risk event will impact the organisation, in the RCSA document, has served to prioritise risks and their relevant mitigation plans.

Business Units are the ultimate owners of their risks and are responsible for reviewing their RCSA forms on a quarterly basis. Identified risks are then validated at the Group Management Committee and presented to the Audit Committee. The risk management cycle is concluded with the distribution of a Group Risk Report containing risk profiling and analysis to the John Keells Group Audit Committee.

The ERM Framework adopted by the John Keells Group and implemented by the Company and the Subsidiary involves the following:

i. Identification of types of Risk

A Risk Event

Any event with a degree of uncertainty which, if occurs, may result in the Organisation or Business Unit not meeting 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.

These are risks that threaten the sustainability or long term viability of a business and are typically risks stemming from our impact on the environment or society that will have an eventual negative impact on the longevity of our business operations.

ii. Establishment of Risk Grid with Likelihood of Occurrence and Severity of Impact

Using the guideline in Table 1, a Risk Grid is established for the Company. 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 possibility of occurrence and the level of impact to the organisation. Please see Table 1 for further details.

iii. Establishment of Level of Risk based on above

Based on the values assigned for each individual risk, using the matrix given in Table 1, a level of risk is established by multiplying the Likelihood of Occurrence with Severity of Impact.

Table 1 Guideline for Rating Risks

Impact/ Severity	5	Catastrophic/ Extreme Impact	5	10	15	20	25
	4	Major/Very High Impact	4	8	12	16	20
	3	Moderate/High Impact	3	6	9	12	15
	2	Minor Impact	2	4	6	8	10
	1	Low/ Insignificant Impact	1	2	3	4	5
			Rare / Remote to occur	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur
			1	2	3	4	5
			Occurrence/Likelihood				

The Color Matrix implies the following:

Priority Level	Colour Code	Score
1	Ultra High	15 - 25
2	High	9 - 14
3	Medium	4 - 8
4	Low	2 - 3
5	Insignificant	1

i. Quarterly review of the risks identified using the above framework by the Company

It is the responsibility of the President/CEO and the risk management team to ensure that each risk item is tracked over the course of the year (reviewed at least on a quarterly basis) and to ensure the mitigation actions identified during the risk review process are being carried out adequately.

This ensures that the Company has a 'living' document that is updated based on internal and external conditions.

ii. Risk Profiling

The Company's Risk Management Team with the assistance from Enterprise Risk Management Division of the John Keells Group will track the changes of impact and occurrence of risks over time.

Risk Universe

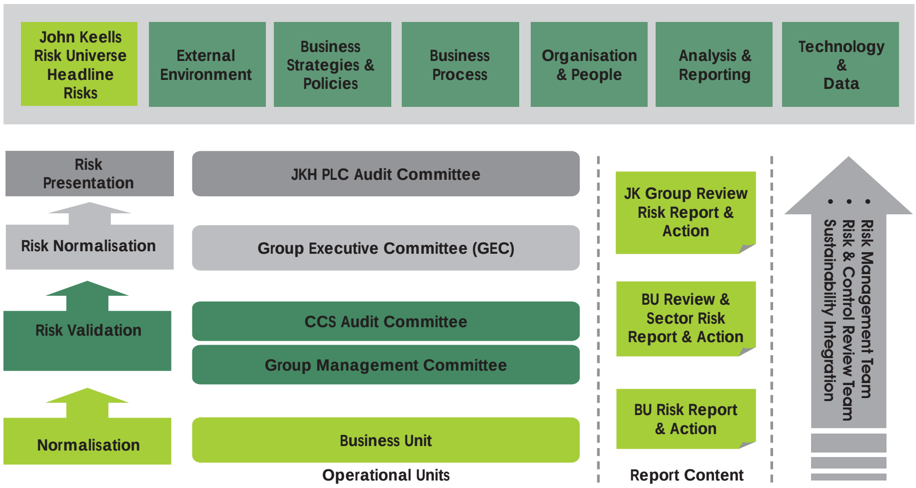
The identified risks are broadly classified into the Risk Universe as identified by the John Keells Group. The Risk Universe is as follows in Table 2.

Table 2. Risk Universe

Headline Risk	External Environment	Business Strategies & Policies	Business Process	Organisation & People	Analysing & Reporting	Technology & Data
Related Risks	Competitor	Capital & Finance	Operations - Planning, Production, Process	Skills/ Competency/ Motivation	Budgeting/ Financial Planning	Data Relevance & Integrity
	Catastrophic Loss	Strategy & Innovation	Operations - Technology, Design, Execution, Continuity	Change Readiness	Accounting/ Tax Information	Data Processing Integrity
	Customer Expectations	Business/Product Portfolio	Resource Capacity & Allocation	Communication	External Reporting & Disclosures	Technology Reliability & Recovery
	Macro Economic	Organisation Structure	Vendor/Partner Reliance	Performance Incentives	Pricing/ Margins	IT Security
	Foreign Exchange and Interest Rates	Stakeholders	Channel Effectiveness	Accountability	Market Intelligence	IT processes
	Weather & Climate	Investment & Mergers & Acquisitions	Interdependency	Corruption, Fraud & Abuse	Contract Commitment	
		Environment, Health and Safety	Customer Satisfaction	Knowledge/ Intellectual Capital	Insurable risks	
			Legal, Regulatory Compliance	Change Integration		
			Innovation	Labor Relations		
			Property & Equipment Damage	Attrition		
			Utilities			

ENTERPRISE RISK MANAGEMENT CONTD.

Bottom Up Approach of Risk Management



Sustainable risk management

Risk management and sustainability are firmly intertwined within the Group. The Group believes that sustainability is a form of overall risk management, considering not only operational and financial risks faced by the Company, but a process that also proactively manages the risks faced by the Company resulting from possible impacts on the environment, employees and community due to its operations. Risks and issues identified herein were tracked on the RCSA documents of the respective Company and subsequently mapped to the relevant GRI sustainability indicator for further sustainability performance tracking and reporting.

The Group have also continued to track and monitor their 'Core Sustainability Risks', which are those risks that have been identified as having the potential to catastrophically impact the long term sustainability of the business. The meeting of key performance indicators related to such risks is linked to organisation ratings, thus ensuring the evaluation of Business Units on both financial and sustainability performance and encapsulating the 'Triple Bottom Line' approach adopted by the John Keells Group.

Risk Management during the reporting year

The Enterprise Risk Management cycle begins during the second quarter with the annual risk review of all Business Units. The John Keells Group's Enterprise Risk Management (ERM) Division assisted Heads of Business Units and their respective Heads of Departments to comprehensively assess, rate and set mitigation plans for any structural, operational, financial and strategic risks relevant to each Business Unit, based on past information and horizon scanning. Awareness and training were also provided to Business Units regarding the introduction of the above mentioned concept of 'velocity' and the streamlining and categorisation of mitigation plans to ensure a more structured and focused approach to risk mitigation.

Any high level risks or Core Sustainability Risks were then reviewed by Group Management Committee headed by the President of the Industry Group as a means of validating the risk process at Business Unit level. The Group also presented their identified risk events and mitigation action plans to the Audit Committee for review.

The significant risk areas that impact the achievement of the strategic business objectives of the Company and the measures taken to address these risks are given below;

Product Liability

The Company has identified Product liability which can arise due to fault in the product as a core risk. Over the years the Company has taken several steps to mitigate this risk which includes certifying the manufacturing processes in ISO 9001(2008) and ISO 22000, adherence to GMP and Food safety standards, compliance to all Consumer Affairs Authority rules and regulations and other statutory regulations. Further the Company has established a hot line to convey any message regarding the products to Company officials and an internal mechanism has been established to address these suggestions or complains promptly.

Brand and Company Product Portfolio

Products manufactured and sold by the Company have a leading house hold brand name with high brand equity. Therefore it must be managed and protected to survive and prosper in the years to come. The irreparable damage done to the brand following a crisis or catastrophe may substantially outweigh the immediate and visible costs. The strategies used to manage brand risks include quantitative and qualitative tools, including market intelligence and competitive intelligence management systems, with a focus on negating potential risk factors, as well as developed proactive risk management practices for our brands.

Competitor activity & demand for Company products

The Company faces stiff competition from other producers of thirst quenchers and frozen confectionery manufacturers. The Company has formulated a basis on which the Company competes with such producers which revolve mainly on brand identification, product portfolio, availability, communication, quality and distribution.

Price Volatility of Raw Materials

The Company's manufacturing costs are largely dependent upon the cost of raw materials sourced. Over the last few years there has been significant price volatility in the world market in respect of certain key ingredients. We have mitigated some of the risks associated with price volatility as well as availability by entering into long term forward price agreements for key ingredients and substitute where possible with local materials without compromising quality. Further we have built a strong relationship with farmer community and other local suppliers through the CSR initiatives to ensure continuous supply at stable price levels.

Supplier Stability and Consistent Quality of Raw Materials

The Company depends on few suppliers for some of the key raw materials due to the cost advantage and easy of supply. Any adverse impact on the sustainability of these suppliers will create a disturbance to the manufacturing process. We have evaluated the alternate suppliers and are in the process of diluting the dependency on key suppliers whilst managing the cost impact optimally. The Company also regularly conducts supplier audits to ensure that the raw materials comply with stipulated standards. We also encourage and assist the suppliers to obtain ISO/HACCP certification and the Company gives preference to suppliers who have obtained such standards.

Stability of Distribution Channels

Stability of distribution channels largely depend on the viability and consistent performance of our distributors. It is extremely important to ensure the continued services of the distributors to deliver the Company products to end consumers. The Company has a stringent process for selection of distributors and monitors the distributor performance on an on-going basis and guide and supports them to ensure the viability and growth of their business.

Human Resources

Key HR areas ranging from recruitment and selection, career management, performance management, training and development, competency frameworks and coaching skills to talent appreciation, reward and recognition and compensation and benefits have been reviewed and revised to modern standards.

The Company has 972 employees in its cadre and 569 of the staff are represented by unions. A deterioration of labour relations or a significant increase in labour costs would have a significant impact on the Company's results. With a view to addressing the above concerns, key HR areas ranging from performance management, training and development, coaching and mentoring skills to reward and recognition and compensation and benefits have all been reviewed and revised in keeping with modern trends and methodologies. The Company maintains a dialogue on a proactive basis with unionised employees to maintain cordial industrial relations.

Deficiencies in skills/ knowledge/training amongst existing staff cadre is identified as an area for improvement and the Company has deployed specialised training programs which are targeted to improve specialised skills and knowledge. Limited availability of specialised staff in the market is also a matter of concern. The Company believes in succession planning to overcome this risk and has in place various personal development programmes to develop skills and capabilities of internal staff to take over higher responsibilities and challenges

Fraud and Corruption

The Company promotes an organisational culture that is committed to the highest level of honesty and ethical dealings and will not tolerate any act of fraud or corruption. The Anti Corruption Policy is designed to

ENTERPRISE RISK MANAGEMENT CONTD.

put these principles into practice. It is Company policy to protect itself and its resources from fraud and other similar malpractices, whether by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees.

Apart from the legal consequences of fraud and corruption, improper acts have the potential to damage Company's image and reputation and financial position. Unresolved allegations can also undermine an otherwise credible position and reflect negatively on innocent individuals. All staff must be above fraud and corruption. Sanctions will apply to those who are not. In addition, staff must act so they are not perceived to be involved in such activities. Through transparent and accountable decision-making, together with open discussion by staff and managers about the risks of fraud and corruption, the Company seeks to foster an organisational culture which does not tolerate fraud or corruption.

Vulnarabilities from IT-related Risks

Dedicated professionals and use of appropriate software ensures continuity of business operations and safeguard from IT-related risks including the setting up of early warning mechanism to mitigate possible infrastructure failure.

Exposure to Credit Facilities

Credit facilities are offered to Company's customers in keeping with the business environment. This may expose the Company to default of payments. The Company mitigates such risk by offering credit within set limits following an evaluation of creditworthiness together with measures to adequately safeguard exposures with sufficient asset-backed securities.

Reliance on Effective Internal Controls

Segregation of duties, definition of authority limits, operating manuals, detective and preventive controls and internal and external audit procedures which are independent of each other enable the management to ensure that the operations are being carried out as per laid down procedures.

Meeting Quality Expectations

The food manufacturing industry is subject to general risks of food spoilage or contamination, consumer preferences with respect to nutrition and health related concerns, governmental regulations, consumer liability claims etc. Our quality assurance system administered by qualified specialists using international benchmarks considers all continuous product and process innovations necessary to maintain the Company's competitive edge and avoid any regulatory, health and nutrition related concerns. The Company's risk management strategy has identified such risks and set in motion an action plan to mitigate the results of such risks. Towards addressing nutritional concerns the Company has a food nutritionist validating all products nutritional standards. With respect to Governmental regulations, the Company ensures only ingredients that satisfy international standards are used in its product formulation. The Company also ensures compliance to the quality certifications of HACCP manufacturing practices with the conduct of regular internal and external audits as applicable to the industries and product lines we operate in.

Liquidity

Exposure to liquidity risk arises in the general funding of the companies business activities and includes the risk of being unable to fund the business activities in a timely manner. The Company managers its liquidity risk by marinating sufficient cash and available funding through unutilized credit facilities from various banks.

Ensure Compliance Legal and Regulatory Requirements

Compliance Risk is managed through the use of legal advice from appropriately qualified and experienced legal professionals supplemented by the JKH legal team. We have put in place periodic reporting of compliance by the respective Functional Managers.

Changes in Interest

The Company's policy is to manage its interest rate risk using a mix of fixed and variable rate debt taking advantage of the changes in the market rates. Guidance received from Group Treasury division with respect to forecasting of exchange rates, interest rates etc has been of immense value in management of this risk exposure.

Company's foreign operations

The Company markets its products internationally. These international sales are subject to compliance with foreign laws and other economic and political uncertainties, trade barriers and other restrictions. All of these risks could result in increased costs which would affect the Company. We have set in motion a process to identify specific risks, and wherever risks are identified appropriate corrective action to be taken.


2BAR
Elephant House™
Vanilla
Orange


PREMIUM PREMIUM PREMIUM PREMIUM
Elephant House
Cookie Cream
ICE CREAM
WITH REAL COCOA
NATURAL
COOKIES & MILK


Elephant House™
Cookie Cream
ICE CREAM

FINANCIAL INFORMATION

Financial Calendar

Year ended	31st March 2013
1st Quarter released on	24th July 2012
2nd Quarter released on	05th November 2012
3rd Quarter released on	11th February 2013
4th Quarter released on	29th May 2013
Annual Reports posted on	03rd June 2013
116th Annual General Meeting on	25th June 2013

Financial Content

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Ceylon Cold Stores PLC has pleasure in presenting their Annual Report together with the Audited Financial Statements of Ceylon Cold Stores PLC and the Audited Consolidated Financial Statements of the Group for the year ended 31st March 2013.

The content of this Report has also considered the requirements of the Companies Act No 7 of 2007, the relevant Listing Rules of the Colombo Stock Exchange and recommended best reporting practices.

The Company was incorporated in 1866 as the Colombo Ice Company Limited as a limited liability Company and in 1941 changed its name to Ceylon Cold Stores Limited. The Company was quoted on the Colombo Stock Exchange in January 1970. Pursuant to the requirements of the new Companies Act No.7 of 2007, the Company was re-registered and obtained a new Company number PQ 4 on 15 June 2007.

Corporate Conduct and the Vision of the Company

The business activities of the Company and its Subsidiary are conducted with the highest level of ethical standards in achieving the Company's vision. The Company's vision is given on the inner front cover of the Annual Report.

Principal Activities

Company

The principal activities of the Company, which are manufacture and marketing of Beverages and Frozen Confectionery, remained unchanged.

Subsidiaries

The principal activity of Jaykay Marketing (Private) Limited, a 100% owned Subsidiary remained unchanged as that of owning and operating of a chain of supermarkets under the name of "Keells Super".

Review of Operations

A review of the operations of the Company and the Subsidiary during the financial year 2012/2013 and results of its operations are contained in the Chairman's Review (pages 6 to 8), and Management Discussion & Analysis (pages 10 to 23). 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 its' Subsidiary.

Future Developments

An overview of the future developments of the Group is given in the Chairman's Message (pages 8) and Management Discussion & Analysis (pages 18 to 19).

Financial Statements and Auditors' Report

The Financial Statements for the year ended 31st March 2013 are the first the Group has prepared, in accordance with SLFRS/LKASs, the Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka to converge with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

The Financial Statements of the Group duly signed by the Directors are provided on pages 94 to 143 and Auditors' Report on the Financial Statements is provided on page 93 of this Annual Report.

Going Concern

After considering the Financial Position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the Company and its Subsidiary possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Stated Capital and Reserves

In compliance with the Companies Act No. 7 of 2007, 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 issued Share Capital.

The stated capital and total reserves stood at Rs. 9,588 million (Rs. 7,489 million as at 31 March 2012) for the Company and Rs. 9,175 million as at 31st March 2013 (Rs. 7,284 million as at 31st March 2012) for the Group, details of which are provided in notes 25, 26, 27 and 28 (pages 134 to 135) to the Financial Statements.

Accounting Policies

The Accounting Policies resulting from convergence to the Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRS/LKASs) are provided in detail in the notes to the Financial Statements on pages 101 to 113.

Revenue

The Net Revenue generated by the Company amounted to Rs. 8,530 million (2011/2012 Rs. 8,275 million), whilst the Consolidated Net Revenue of the Group amounted to Rs. 22,476 million (2011/2012 Rs. 20,191 million). An analysis of revenue is given in Note 4 to the Financial Statements.

Financial Results

The Company recorded a Profit after Tax of Rs. 2,128 million for the year whilst the Consolidated Profit after Tax was Rs. 1,916 million.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

A synopsis of the Group's performance is presented below.

For the year ended 31 March **In Rs. '000s**	**2013**	**2012**
Results from operating activates	**1,064,113**	1,511,692
Finance cost	**(101,153)**	(91,433)
Finance income	**22,739**	14,946
	985,699	1,435,205
Change in fair value of investment property	**1,275,069**	1,106,655
Profit before tax	**2,260,768**	2,541,860
Provision for taxation including deferred tax	**(345,051)**	(306,407)
Profit after tax	**1,915,717**	2,235,453
Balance brought forward from the previous year	**3,465,444**	1,323,800
	5,381,161	3,559,253
Direct cost on issue of shares	**-**	(7,395)
Dividend paid for previous year	**(380,174)**	(86,414)
Transfer from Other Capital Reserve	**3,974**	-
Unappropriated profit carried forward	**5,004,961**	3,465,444
Final dividend declared of Rs. 4.00 per share (2011/12 - Rs. 4.00) to be paid out of profits.*	**(380,174)**	(380,174)
Balance to be carried forward next year	**4,624,787**	3,085,270

* The final dividend recommended for this financial year has not been recognised as at the Reporting date in compliance with LKAS 10 - Events after the Reporting Period.

Provision for Taxation

Provision for taxation has been computed at the rates given in Note 10 (pages 121 to 122) to the Financial Statements

Segment Reporting

A segmental analysis of the activities of the Group is given in Note 4 to the Financial Statements.

Related Party Transactions

There are no related party transactions which exceeds the lower of 10% of Equity or 5% of the total assets of the Company. Directors have disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard LKAS 24 – Related Party Disclosures, in Note 38 to the Financial Statements.

Corporate Donations

During the year the Group made donations amounting to Rs. 10.8 million (2011/2012 – Rs. 6.5 million). The Group made no political donations.

Dividends

The Directors have declared a first and final dividend of Rs.4.00 per share for the year ended 31st March 2013, from the profits available for appropriation. The total dividend payout amounts to Rs. 380.2 million. In accordance with LKAS No. 10 Events after the Reporting date, the declared dividend has not been recognised as a liability as at 31 March 2013.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the Solvency Test in accordance with Section 57 of Companies Act No. 7 of 2007 and have obtained a certificate from the Auditors prior to declaring the first and final dividend of Rs. 4.00 per share for the year.

The dividends paid out are out of taxable profits of the Company and will be subjected to a 10% withholding tax. The dividend will be paid on 17th June 2013.

Property, Plant and Equipment
The details of property, plant and equipment of the Company and the Group are shown in Note 15 (pages 129 to 131).

Capital Expenditure
The total capital expenditure on acquisition of investment property, property, plant and equipment and intangible assets of the Company and the Group amounted to Rs. 975 million and Rs. 1,425 million respectively (2011/12 Company : Rs.752 million and Group : Rs.1,002 million) details of which are given in Note 15 and 16 to the Financial Statements. The capital expenditure approved and contracted for, after the year end is given in Note 40 to the Financial Statements.

Market Value of Freehold Properties
The Land and Buildings including Investment properties owned by the Company and the Subsidiary were re-valued by a Messer P B Kalugalagedara & Associates - Chartered valuation surveyors at their open market/fair value, as at 31 March 2013. The Directors are of the opinion that the re-valued amounts are not in excess of the current market values of such properties.

The surplus arising from the revaluation of Investment property in Colombo and Trincomalee was transferred to the Income Statement.

The details of the revaluation and relevant accounting policies are provided in Notes 1.4.4, 15 and 28 to the Financial Statements.

Investments
Details of investments held by the Company is disclosed in Note 18 to the Financial Statements.

Reserves
Total reserves as at 31st March 2013 for the Company and Group amounted to Rs. 8,669 million (2011/2012 - Rs. 6,567 million) and Rs. 8,257 million (2011/2012 - Rs. 6,362 million) respectively.

The detailed movement of reserves is given in the Statement of Changes in Equity on page 98 of the Annual Report.

Events after the Reporting Period
Events occurring after the Reporting Date are given in Note 42 to the Financial Statements.

Contingent Liabilities and Capital Commitments
There were no material Contingent liabilities or Capital commitments as at 31 March 2013 except as disclosed in Note 39 and 40 to the Financial Statements.

Outstanding Litigation
In the opinion of the Directors and in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company.

Human Resources
Ceylon Cold Stores PLC and its Subsidiary employed 2,984 persons at 31st March 2013 (31st March 2012 – 2,690).

The Group is committed to pursuing various HR initiatives that ensure the individual development of all our team as well as facilitating the creation of value for themselves, the 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 Control of the Group and having conducted a review of internal controls covering financial, operational, compliance controls 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.

Enterprise Governance
Enterprise Governance practices and principles with respect to the management and operations of the Group is set out on pages 48 to 73 of the Annual Report. The Directors confirm that the Group is in compliance with the Rules on Corporate Governance as per the listing rules of Colombo Stock Exchange.

The Directors declare that:

- The Company and its Subsidiary 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 Subsidiary 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 controls and risk management has been conducted, and the Directors have obtained a reasonable assurance of their effectiveness and successful adherence.

The Board of Directors is committed to maintaining an effective Enterprise Governance structure and process. A full report on Enterprise Governance is found on pages 48 to 73.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

Risk Management
The Board and the Executive Management of the Group 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 Risk Management Report on pages 74 to 78.

Audit Committee
The following Non-Executive, Independent Directors of the Board served as members of the Audit Committee during the year.

Mr. A. R. Rasiah - Chairman
Mr. P. S. Jayawardena, PC
Prof. U. P. Liyanage

The report of the Audit Committee is given on pages 89 to 91 of the Annual Report. The Audit Committee has reviewed the other services provided by the External Auditors to the 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 Colombo Stock Exchange, the Human Resources and Compensation Committee of John Keells Holdings PLC, the parent Company of Ceylon Cold Stores PLC, functions as the Human Resources and Compensation Committee of the Group. The Human Resources and Compensation Committee of John Keells Holdings PLC comprises of four Independent Non-Executive Directors:

Mr. Franklyn Amerasinghe - Chairman
Mrs. S. Tiruchelvam
Dr. I. Coomaraswamy
Mr. A. R. Gunesekara

Share Information
An Ordinary Share of the Company was quoted on the Colombo Stock Exchange at Rs.135.90 as at 31st March 2013 (31st March 2012 - Rs. 90.00). Information relating to earnings, dividends, net assets and market value per share is given in the Decade at a Glance and Key Figures and Ratios on pages 146 and 47. Information on share trading is given on page 144 of this report.

Shareholdings
There were 2,109 registered shareholders, holding ordinary voting shares as at 31st March 2013 (2,310 registered shareholders as at 31st March 2012). The distribution of shareholdings including the percentage held by the public is given on page 144 of this report.

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 top twenty shareholders is given on page 145 of this 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 Colombo Stock Exchange in a timely manner.

Directorate
The Board of Directors of Ceylon Cold Stores PLC who served during the year and as at the end of the Financial Year are given below and their brief profiles appear on pages 26 to 27 of the Annual Report. No other Director held office during the period under review.

Mr. S. C. Ratnayake (Chairman)	(Non –Executive, Non Independent)
Mr. A. D. Gunewardene	(Non - Executive, Non Independent)
Mr. J. R. F. Peiris	(Non - Executive, Non independent)
Mr. J. R. Gunaratne	(Executive - Non Independent)
Prof. U. P. Liyanage	(Non - Executive, Independent)
Mr. P. S. Jayawardena, PC	(Non - Executive, Independent)
Mr. A. R. Rasiah	(Non - Executive, Independent)

The Board of Directors of Jaykay Marketing Services (Private) Limited 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. S. C. Ratnayake (Chairman)	(Non - Executive, Non Independent)
Mr. A. D. Gunawardene	(Non - Executive, Non Independent)
Mr. K. N. J. Balendra	(Executive, Non Independent)
Ms. M.R.N. Jayasundara Moreas	(Non - Executive, Non Independent)

Responsibility of the Board
Details of 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 of Directors by rotation or otherwise and their Re-election
In terms of Article 84 of the Articles of Association of the Company, Mr. P. S. Jayawardena, PC and Mr. A. D. Gunewardene are eligible for retirement by rotation and offer themselves for re-election.

Directors' Interests in Shares

The share ownership of Directors is stated below. There is no change in the number of shares owned by any Director during the year when compared with that of 31st March 2012.

The Directors' individual shareholdings in the Company as at 31st March 2013 and 31st March 2012 were as follows.

Name of the Director	As at 31 March 2013	As at 31 March 2012
Mr. S.C. Ratnayake (Chairman)	**3,344**	3,344
Mr. A.D. Gunewardene	**30,800**	30,800
Mr. J.R.F. Peiris	**668**	668
Mr. J.R. Gunaratne (CEO)	**5,080**	5,080
Mr. A.R. Rasiah	**12,760**	12,760
Mr. P.S. Jayawardena, PC	**1,200**	1,200
Prof. U.P. Liyanage	**1,200**	1,200

Remuneration to Directors

Executive Directors' remuneration is established within a framework approved by the Human Resources and Compensation Committee. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company and the Subsidiary. 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 is disclosed in Note 9 to Financial Statements.

Directors' Meetings

Details of Directors' meetings are presented on page 52 of this report.

Interests Register

The Company has maintained an Interests Register as contemplated by the Companies Act No 7 of 2007. In compliance with the requirements of the Companies Act No 7 of 2007 this Annual Report contains particulars of entries made in the Interests Register. As the Subsidiary of the Company is a Private Company which has dispensed the need to maintain an Interests Register, this Annual Report does not contain the particulars of entries made in the Interests Register of the Subsidiary.

Particulars of Entries in the Interests Register for the Financial Year 2012/13

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 No. 7 of 2007 and no additional interests have been disclosed by any Director.

b) Share Dealings: There have been no disclosures of share dealings as at 31st March 2013.

c) Indemnities and Remuneration
The Board approved payments to the Executive Director of the Company, namely Mr. J R Gunaratne for the period 01st April 2012 to 31st March 2013, comprising of

- An increment from 1 July 2012 based on the individual performance rating obtained by the Executive Director in terms of the Performance Management System of the John Keells Group.

- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2011/2012, paid in July 2012;

As recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC the holding company of Ceylon Cold Stores PLC in keeping with the Group remuneration policy.

The fees payable to Non-Executive nominees of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual directors.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and its Subsidiary 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, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

Compliance with Laws and Regulations

The Company and the Subsidiary 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

Supplier Policy
The Group endeavours to transact business with reputed organisations capable of offering quality goods and services at competitive prices with a view to building mutually-beneficial business relationships.

Statutory Payments
The Directors confirm to the best of their knowledge that all taxes, duties and levies payable by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group and all other known statutory dues as were due and payable by Group as at the Reporting date have been paid or where relevant provided for.

Environment Protection
The 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.

Auditors
The Financial Statements for the year have been audited by Messrs Ernst & Young Chartered Accountants. The retiring Auditors, Messrs Ernst & Young have intimated their willingness to continue in office and a resolution to re-appoint them as auditors and authorising the Directors to fix their remuneration; will be proposed at the Annual General Meeting.

The Auditors' Report is found in page 93 of the Annual Report.

The Audit Committee reviews the appointment of the Auditors', its effectiveness, independence and its relationship with the Company and the Subsidiary 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 Subsidiary are set out in Note 09 to the Financial Statements.

Based on the declaration from Messrs Ernst & Young and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company and its Subsidiary other than those disclosed in this paragraph.

Approval of the Financial Statements
The audited Financial Statements were approved by the Board of Directors on 27th May 2013.

Notice of Meeting
The Notice of Meeting relating to 116th Annual General Meeting is given on page 149 of the Annual Report.

This Annual Report is signed for and on behalf of the Board of Directors by:

J. R. Gunaratne
Director

J. R. F. Peiris
Director

Keells Consultants (Private) Limited
Secretaries

27th May 2013

AUDIT COMMITTEE REPORT

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 the 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 it's affairs in compliance with the requirements of the Code of Best Practice on Audit Committees.

The 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 the Financial Statements of the Group, ensuring that a good financial reporting system is in place that 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 Audit Committee reviews the design and operational effectiveness of internal controls and implement changes where required and ensures that the risk management processes are effective and adequate to identify and mitigate risks.

The Audit Committee also ensures that the conduct of the business is in compliance with applicable laws and regulations and policies of the Group.

The Audit Committee also assesses the Group's ability to continue as a going concern in the foreseeable future.

The Committee evaluates the performance and the independence of the Internal Auditors and the External Auditors. The Committee is also tasked with the responsibility of recommending to the Board the re-appointment and change of External Auditors and to recommend their remuneration and terms of engagement.

In fulfilling its purpose, it is the responsibility of the Audit Committee to maintain a free and open communication with the Independent External Auditors, the outsourced Internal Auditors and the management of the Company and the Subsidiary, and 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 management and the external auditors, the audited Financial Statements, the quarterly unaudited Financial Statements as well as matters relating to the Group's internal control over financial reporting, key judgments and estimates in the preparation of Financial Statements and the processes that support certification of the Financial Statements by the Directors and the CFO.

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 The Colombo Stock Exchange, who are,

- Mr. A. R. Rasiah - Chairman
- Prof. U. P. Liyanage
- Mr. P. S. Jayawardena, PC

The Audit Committee comprises of individuals with extensive experience and expertise in the fields of Finance, Corporate Management, Legal and Marketing. The Chairman of the Audit Committee is a Chartered Accountant. A brief profile of each member of the Audit Committee is given on pages 26 to 27 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 five (5) meetings and attendance of the committee members are given below.

The President/CEO, the Chief Financial Officer, the Head of Finance and the Heads of Categories attended such meetings by invitation and briefed the committee on specific issues. The External Auditors and the Internal Auditors were also invited to attend meetings when necessary. The proceedings of the Audit Committee are reported to the Board of Directors by the Chairman of the Audit Committee.

Attendance at Audit Committee Meetings

Name	15th May 2012	23rd July 2012	30th October 2012	6th February 2013	14th March 2013
Mr. A. R. Rasiah	Y	Y	Y	Y	Y
Prof. U. P. Liyanage	Y	N	Y	Y	Y
Mr. P. S. Jayawardena, PC	Y	Y	Y	Y	Y

AUDIT COMMITTEE REPORT CONTD.

Summary of Activities during the Financial Year

Oversight of Company and Consolidated Financial Statements and Convergence to Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS)

The Committee reviewed with the independent External Auditors who are 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 Lanka Accounting Standards (LKAS).

The Committee is satisfied with the structured approach adopted over the past year and half by the management for a smooth convergence to the new accounting standards in line with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by The Institute of Chartered Accountants of Sri Lanka which is applicable for financial periods beginning on or after 1st January 2012.

These Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). The Financial Statements, for the year ended 31st March 2013, are the first, the Company has prepared in accordance with SLFRS/LKASs. For periods up to and including the year ended 31st March 2012, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLASs). Accordingly, the Company has prepared Financial Statements which comply with SLFRS/LKASs and related interpretations applicable for period ending 31st March 2013, together with the comparative period data as at and for the year ended 31st March 2012, as described in the accounting policies.

In preparing these Financial Statements, the Company's and the Subsidiary Company's opening Statement of Financial Position was prepared as at 1st April 2012, the Company's and the Subsidiary Company's date of transition to SLFRS/LKAS. In addition, SLFRS 1 - First Time Adoption of Sri Lanka Financial Reporting Standards, SLFRS 7 - Financial Instruments, Disclosure, LKAS 39 - Financial Instruments, Recognition and Measurement and SLFRS 8 - Operating Segments which are new to the Sri Lankan financial reporting framework and applicable to Ceylon Cold Stores PLC and Jaykay Marketing Services (Pvt) Ltd. have been applied.

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 Auditors 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 for ensuring they have adequate access to information required to conduct their audits.

The internal audit function of the Company has been outsourced to Messrs PricewaterhouseCoopers (Private) Limited, a firm of Chartered Accountants and that of the Subsidiary is outsourced to BDO Partners – Chartered Accountants.

The Audit Committee has agreed with the Internal Auditor as to the frequency of audits to be carried out, the scope of the audit, the areas to be covered 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 the 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 to manage and mitigate the effects of such risks and observe that the risk analysis exercise has been conducted. The key risks that could impact operations have been identified and wherever necessary, appropriate action has been taken to mitigate their impact to the minimum extent.

External Audit

The External Auditors of the Company and of the Subsidiary, Messrs Ernest and Young, Chartered Accountants, submitted a detailed audit plan for the financial year 2012/2013, which specified, inter alia, the areas of operations to be covered in respect of the Company and the Subsidiary. 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 have 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 Auditors met with the Audit Committee to discuss and agree on the treatment of any matter 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/CEO. There were no issues of significance during the year under review.

The Audit Committee also reviewed the audit fees of the External Auditors of the Company and of the Subsidiary and recommended its adoption by the Board. It also reviewed the other services provided by the auditors in ensuring that their independence as auditors was not compromised.

The Audit Committee has received a declaration from Messrs Ernst and Young, as required by the Companies Act No. 7 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 and Young, Chartered Accountants, be recommended for reappointment as auditors for the year commencing 1st April 2013, at the next Annual General Meeting.

Compliance with financial reporting and statutory requirements

The Audit Committee receives a quarterly declaration from the President/CEO, CFO and the Head of Finance, 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 Ultimate Parent Company.

Support to the Committee

The Committee received the necessary support and information from the management of the Company and the Subsidiary during the year to enable them to 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 Group in the implementation of the accounting policies and operational controls provide reasonable, assurance that the affairs of the Group 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.

Rasakantha Rasiah
Chairman, Audit Committee

27th May 2013

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement.

The responsibility of the Auditors', in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act No. 7 of 2007, is set out in the Independent Auditors' Report on page 93 of the Annual Report.

As per the provisions of the Companies Act No. 7 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, in preparing these Financial Statements:

- 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 as relevant have been applied; and
- Reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and.
- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company and its Subsidiary 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 Subsidiary maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group, and in this regard to give 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 Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider being appropriate to enable them to give their audit opinion.

Further, as required by Section 56(2) of the Companies Act No.7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No.7 of 2007, and has obtained a certificate from the Auditors, prior to declaring first and final dividend of Rs. 4.00 per share for this year to be paid on 17th June 2013

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 Subsidiary, all contributions, levies and taxes payable on behalf of the employees of the Company and its Subsidiary, and all other known statutory dues as were due and payable by the Company and its Subsidiary as at the Reporting date have been paid or, where relevant provided for except as specified in Note 39 to the Financial Statements covering contingent liabilities.

By Order of the Board

Keells Consultants (Private) Limited
Secretaries

27th May 2013

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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TO THE SHAREHOLDERS OF CEYLON COLD STORES PLC

Report on the financial statements

We have audited the accompanying financial statements of Ceylon Cold Stores PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statement of financial position as at 31 March 2013, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of audit and basis of opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2013 and the performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on other legal and regulatory requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Ernst & Young

27th May 2013
Colombo.

INCOME STATEMENT

For the year ended 31st March In Rs.'000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
Sale of goods		**22,476,066**	20,190,811	**8,530,340**	8,275,007
Revenue	4	**22,476,066**	20,190,811	**8,530,340**	8,275,007
Cost of sales		**(19,550,672)**	(17,146,769)	**(5,717,902)**	(5,495,808)
Gross profit		**2,925,394**	3,044,042	**2,812,438**	2,779,199
Other operating income	5	**509,288**	585,498	**99,600**	270,227
Selling and distribution expenses		**(1,251,598)**	(1,170,830)	**(1,093,588)**	(1,097,819)
Administrative expenses		**(733,261)**	(593,805)	**(349,296)**	(320,602)
Other operating expenses	6	**(385,710)**	(353,213)	**(204,626)**	(207,397)
Results from operating activities		**1,064,113**	1,511,692	**1,264,528**	1,423,608
Finance cost	7	**(101,153)**	(91,433)	**(45,871)**	(43,674)
Finance income	8	**22,739**	14,946	**18,749**	10,561
Change in fair value of investment property	17	**1,275,069**	1,106,655	**1,275,069**	1,106,655
Profit before tax	9	**2,260,768**	2,541,860	**2,512,475**	2,497,150
Tax expense	10	**(345,051)**	(306,407)	**(384,546)**	(272,834)
Profit for the year		**1,915,717**	2,235,453	**2,127,929**	2,224,316

		Rs.	Rs.
Earnings per share			
Basic	11	**20.16**	23.66
Dividend per share	12	**4.00**	4.00

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March In Rs.'000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
Profit for the year		**1,915,717**	2,235,453	**2,127,929**	2,224,316
Other comprehensive income					
Revaluation of land and buildings		**386,030**	46,321	**379,366**	46,321
Tax on other comprehensive income	10	**(30,008)**	-	**(28,143)**	-
Other comprehensive income for the year, net of tax		**356,022**	46,321	**351,223**	46,321
Total comprehensive income for the year, net of tax		**2,271,739**	2,281,774	**2,479,152**	2,270,637

Note:

As required by SLFRS/LKAS, the Statement of other Comprehensive Income includes Revaluation Surplus of Land and Building net of Deferred Tax. Transactions of similar nature were routed directly through the Equity statement under SLAS.

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		Group			Company		
As at 31st March In Rs.'000s	Note	2013	2012	As at 1 April 2011	2013	2012	As at 1 April 2011
ASSETS							
Non-current assets							
Property, plant and equipment	15	**5,180,158**	4,071,521	3,689,511	**3,781,811**	2,875,739	2,512,617
Intangible assets	16	**168,644**	164,685	168,564	**13,950**	2,662	259
Investment property	17	**5,040,924**	3,765,855	2,582,195	**5,040,924**	3,765,855	2,582,195
Investments in subsidiary	18	**-**	-	-	**1,022,892**	1,022,892	522,892
Differed tax assets	30	**92,403**	27,050	42,340	**-**	-	-
Other non-current financial assets	19	**85,340**	80,117	67,484	**61,984**	59,283	50,282
Other non-current assets	20	**10,123**	14,857	8,747	**5,810**	12,782	8,089
		10,577,592	8,124,085	6,558,841	**9,927,371**	7,739,213	5,676,334
Current assets							
Inventories	21	**2,101,923**	1,815,623	1,602,826	**623,642**	557,255	436,756
Trade and other receivables	22	**1,441,539**	1,332,904	1,133,002	**947,128**	839,072	731,288
Amounts due from related parties	38	**25,673**	7,382	7,418	**68,397**	5,950	5,255
Tax Recoverable	35	**103,377**	123,625	106,949	**-**	-	-
Other current assets	23	**96,897**	323,890	157,846	**53,336**	278,229	118,876
Short term investments	24	**134,053**	15,400	-	**134,053**	15,400	-
Cash in hand and at bank		**353,755**	211,751	72,974	**169,837**	127,234	19,861
		4,257,217	3,830,575	3,081,015	**1,996,393**	1,823,140	1,312,036
Total assets		**14,834,809**	11,954,660	9,639,856	**11,923,764**	9,562,353	6,988,370
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
Stated capital	25	**918,200**	918,200	270,200	**918,200**	918,200	270,200
Capital reserves	26	**-**	3,974	3,974	**-**	3,974	3,974
Revenue reserves	27	**5,004,961**	3,465,444	1,323,800	**5,422,004**	3,670,275	1,536,950
Other components of equity	28	**3,252,326**	2,896,304	2,849,983	**3,247,527**	2,896,304	2,849,983
Total equity		**9,175,487**	7,283,922	4,447,957	**9,587,731**	7,488,753	4,661,107
Non-current liabilities							
Borrowings	29	**324,935**	244,443	219,769	**324,935**	244,443	219,769
Deferred tax liabilities	30	**318,307**	81,412	76,741	**318,307**	81,412	76,741
Employee benefit liabilities	31	**324,768**	353,820	316,901	**260,181**	297,821	270,136
Other non-current liabilities	32	**198,412**	212,942	335,680	**198,412**	212,942	335,680
Other deferred liabilities	33	**15,230**	7,529	684	**-**	-	-
		1,181,652	900,146	949,775	**1,101,835**	836,618	902,326

		Group			Company		
				As at 1 April			As at 1 April
As at 31st March	Note	2013	2012	2011	2013	2012	2011
In Rs.'000s							
Current liabilities							
Trade and other payables	34	**2,778,012**	2,200,528	2,006,558	**644,181**	627,225	489,691
Amounts due to related parties	38	**114,450**	131,878	109,827	**13,000**	14,894	10,780
Income tax liabilities	35	**54,387**	125,091	75,120	**53,934**	121,955	74,399
Short term borrowings	36	**93,000**	240,000	493,164	**-**	-	232,000
Current portion of borrowings	29	**139,598**	115,010	153,048	**139,598**	115,010	153,048
Other current liabilities	37	**324,961**	238,296	207,735	**290,043**	224,204	188,267
Bank overdrafts		**973,262**	719,789	1,196,672	**93,442**	133,694	276,752
		4,477,670	3,770,592	4,242,124	**1,234,198**	1,236,982	1,424,937
Total equity and liabilities		**14,834,809**	11,954,660	9,639,856	**11,923,764**	9,562,353	6,988,370

I certify that the Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

S. R. Jayaweera
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,

J. R. Gunaratne
Director

J. R. F. Peiris
Director

The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

27th May 2013

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013 In Rs.'000s	Attributable to equity holders of the parent Stated capital	Revaluation reserve	Other capital reserves	General reserve	Retained earnings	Total equity
Group						
As at 1 April 2011	**270,200**	**2,849,983**	**3,974**	**646,000**	**677,800**	**4,447,957**
Profit for the year	-	-	-	-	2,235,453	2,235,453
Other comprehensive income	-	46,321	-	-	-	46,321
Total comprehensive income	-	46,321	-	-	2,235,453	2,281,774
Issue of Shares	648,000	-	-	-	-	648,000
Direct cost on issue of shares	-	-	-	-	(7,395)	(7,395)
Final dividend paid - 2010/11	-	-	-	-	(86,400)	(86,400)
Preference dividend paid - 2010/11	-	-	-	-	(14)	(14)
As at 31 March 2012	**918,200**	**2,896,304**	**3,974**	**646,000**	**2,819,444**	**7,283,922**
Profit for the year	-	-	-	-	1,915,717	1,915,717
Other comprehensive income	-	356,022	-	-	-	356,022
Total comprehensive income	-	356,022	-	-	1,915,717	2,271,739
Final dividend paid - 2011/12	-	-	-	-	(380,160)	(380,160)
Preference dividend paid - 2011/12	-	-	-	-	(14)	(14)
Transfer	-	-	(3,974)	-	3,974	-
As at 31 March 2013	**918,200**	**3,252,326**	**-**	**646,000**	**4,358,961**	**9,175,487**
Company						
As at 1 April 2011	**270,200**	**2,849,983**	**3,974**	**646,000**	**890,950**	**4,661,107**
Profit for the year	-	-	-	-	2,224,316	2,224,316
Other comprehensive Income	-	46,321	-	-	-	46,321
Total comprehensive income	-	46,321	-	-	2,224,316	2,270,637
Issue of Shares	648,000	-	-	-	-	648,000
Direct cost on issue of shares	-	-	-	-	(4,577)	(4,577)
Final dividend paid - 2010/11	-	-	-	-	(86,400)	(86,400)
Preference dividend paid - 2010/11	-	-	-	-	(14)	(14)
As at 31 March 2012	**918,200**	**2,896,304**	**3,974**	**646,000**	**3,024,275**	**7,488,753**
Profit for the year	-	-	-	-	2,127,929	2,127,929
Other comprehensive income	-	351,223	-	-	-	351,223
Total comprehensive income	-	351,223	-	-	2,127,929	2,479,152
Final dividend paid - 2011/12	-	-	-	-	(380,160)	(380,160)
Preference dividend paid - 2011/12	-	-	-	-	(14)	(14)
Transfer	-	-	(3,974)	-	3,974	-
As at 31 March 2013	**918,200**	**3,247,527**	**-**	**646,000**	**4,776,004**	**9,587,731**

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

		Group		Company	
For the year ended 31st March	**Note**	**2013**	**2012**	**2013**	**2012**
In Rs.'000s					
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	**1,715,820**	1,941,792	**1,640,197**	1,619,542
(Increase) / Decrease in inventories		**(286,300)**	(212,797)	**(66,387)**	(120,499)
(Increase) / Decrease in Trade & other Receivables		**(108,635)**	(200,193)	**(108,056)**	(107,784)
(Increase) / Decrease in Amounts due from related parties		**(18,291)**	36	**(62,447)**	(695)
(Increase) / Decrease in other current assets		**226,993**	(166,044)	**224,893**	(159,353)
Increase / (Decrease) in Trade and other payables		**577,388**	193,864	**16,859**	137,427
Increase / (Decrease) in Amounts due to related parties		**(17,428)**	22,051	**(1,894)**	4,114
Increase / (Decrease) in Other current liabilities		**86,665**	30,561	**65,839**	35,937
Increase / (Decrease) in Other differed liabilities		**7,701**	6,845	**-**	-
Increase / (Decrease) in Other non current financial assets		**1,987**	(9,045)	**3,032**	(6,153)
Increase / (Decrease) in Other non current assets		**4,734**	(6,110)	**6,972**	(4,693)
Cash generated from operations		**2,190,634**	1,600,960	**1,719,008**	1,397,843
Finance income received		**15,529**	11,358	**13,016**	7,712
Finance expenses paid		**(101,153)**	(91,433)	**(45,871)**	(43,674)
Tax paid		**(253,972)**	(253,150)	**(243,815)**	(220,607)
Gratuity paid (Net of transfers)		**(28,472)**	(19,162)	**(21,366)**	(16,725)
Net cash flow from operating activities		**1,822,566**	1,248,573	**1,420,972**	1,124,549
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		**(1,408,604)**	(994,341)	**(963,531)**	(749,106)
Purchase of intangible assets		**(16,367)**	(7,217)	**(11,967)**	(2,500)
Proceeds from Sale of Property Plant & Equipment		**3,255**	17,396	**2,700**	2,257
Net cash flow used in investing activities		**(1,421,716)**	(984,162)	**(972,798)**	(749,349)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		**-**	648,000	**-**	648,000
Direct cost on issue of shares		**-**	(7,395)	**-**	(4,577)
Increase in interest in subsidiaries		**-**	-	**-**	(500,000)
Dividend paid to equity holders of the parent		**(380,160)**	(86,400)	**(380,160)**	(86,400)
Dividend paid to Preference shareholders		**(14)**	(14)	**(14)**	(14)
Proceeds from (repayment of) Borrowings (net)		**66,080**	(13,364)	**105,080**	(13,364)
Proceeds from (repayment of) Short term Borrowings (net)		**(108,000)**	(253,164)	**-**	(232,000)
Proceeds from (repayment of) other Non-current liabilities (net)		**28,428**	78,986	**28,428**	78,986
Net cash flow from / (used in) financing activities		**(393,666)**	366,649	**(246,666)**	(109,369)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,184**	631,060	**201,508**	265,831
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**(492,638)**	(1,123,698)	**8,940**	(256,891)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**(485,454)**	(492,638)	**210,448**	8,940

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

CASH FLOW STATEMENT CONTD.

For the year ended 31st March In Rs.'000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favorable balances					
Short term investments	24	**134,053**	15,400	**134,053**	15,400
Cash in hand and at bank		**353,755**	211,751	**169,837**	127,234
Unfavorable balances					
Bank overdrafts		**(973,262)**	(719,789)	**(93,442)**	(133,694)
Total cash and cash equivalents		**(485,454)**	(492,638)	**210,448**	8,940

All cash & cash equivalents held by the Group and the Company are available for use.

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
A Profit before working capital changes				
Profit before tax	**2,260,768**	2,541,860	**2,512,475**	2,497,150
Adjustments for:				
Finance income	**(22,739)**	(14,946)	**(18,749)**	(10,561)
Finance cost	**101,153**	91,433	**45,871**	43,674
Depreciation of property, plant and equipment	**626,380**	528,745	**393,743**	321,589
Loss on sale of property, plant and equipment	**56,130**	35,503	**40,383**	31,454
Amortisation of intangible assets	**12,640**	11,096	**679**	97
Change in fair value of investment property	**(1,275,069)**	(1,106,655)	**(1,275,069)**	(1,106,655)
Gratuity provision and related cost	**(580)**	56,373	**(16,273)**	44,411
Unrealised (gain) / loss on foreign exchange (net)	**95**	107	**95**	107
Write back of dealer deposits	**(42,958)**	(201,724)	**(42,958)**	(201,724)
	1,715,820	1,941,792	**1,640,197**	1,619,542

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1.1. 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 is located at 1, Justice Akbar Mawatha Colombo 2.

The principal place of business of the Company is located at Samadaragaha Waththa, Ranala, Kaduwela.

Ordinary shares of the Company are listed on the Colombo Stock Exchange.

Financial Statements

The Consolidated Financial Statements for the year ended 31st March 2013, comprise "the Company" referring to Ceylon Cold Stores PLC as the holding company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2013 were authorised for issue by the Directors on 27th May 2013.

Principal Activities and Nature of Operations

Company

The principal activity of the Company is the manufacture and marketing of Beverages and Frozen Confectionery.

Subsidiary

The principal activity of the wholly-owned Subsidiary Jaykay Marketing Services (Private) Ltd. is retail trading and super marketing.

There were no significant changes in the nature of the principal activities of the Company and the Subsidiary during the financial year under review.

Parent Enterprise & 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 Directors in relation to the Financial Statements is set out in 'The Statement of Director's Responsibility on Page 92 in the Annual report.

Statement of compliance

The Financial Statements which comprise the Statement of Financial Position, the 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 new Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange.

For all periods up to and including the year ended 31 March 2012, the Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS) which were effective up to 31 March 2012. These Financial Statements for the year ended 31 March 2013 are the first the Group has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 1 April 2012. These SLFRS/LKASs have materially converged with the International Financial Reporting Standards (IFRS) as issued by, the International Accounting Standards Board (IASB). The effect of the transition to SLFRS/LKAS on previously reported Financial Positions, financial performance and cash flows of the Group and the Company is given in Note 3 to the Financial Statements.

1.2. BASIS OF PREPARATION

Bases of Measurement

The Consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings.

Presentation and Functional Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

All values are rounded to the nearest rupees thousand (Rs. '000) except when otherwise indicated.

The significant accounting policies are discussed in Note 1.4 below.

Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its Subsidiary as at 31st March 2013. The Financial Statements of the Subsidiary is prepared in compliance with the Group's accounting policies unless otherwise stated.

The following Company has been consolidated under Section 152 of the Companies Act, No.7 of 2007, where the Company controls the composition of the Board of Directors of the Subsidiary.

	Holding
Jaykay Marketing Services (Private) Ltd.	100%

All intra-Group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-Group transactions are eliminated in full.

Subsidiary

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

Subsidiaries 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 Subsidiary is prepared for the same reporting period as the parent company, which is 12 months ending 31 March, using consistent accounting policies.

Losses within a Subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a Subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the Subsidiary
- De-recognises the carrying amount of any non-controlling interest
- De-recognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other Comprehensive Income to profit or loss or retained earnings, as appropriate.

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 Statement of Comprehensive Income and all assets and liabilities of the Company and of its Subsidiaries included in consolidation are shown in the Statement of Financial Position.

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 parent's shareholders' equity.

The Consolidated statement of cash flow includes the cash flows of the Company and its Subsidiaries.

1.3. ACCOUNTING POLICIES

1.3.1 CHANGES IN ACCOUNTING POLICIES

The changes to accounting policies set out below have been applied consistently to all financial periods presented in these Financial Statements and in preparing the opening SLFRS/LKAS Statement of Financial Position as at 1 April 2011 for the purpose of the transition to SLFRS/LKAS, unless otherwise indicated.

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.

1.3.2 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. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revaluation of property, plant and equipment and investment properties

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in the Statement of equity. In addition, it carries its investment properties at fair value, with changes in fair value being recognised in the Income Statement. The Group engaged independent valuation specialists to determine fair value of investment properties and certain identified land and buildings as at 31 March 2013.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

Useful Lives of Items of Property, Plant and Equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at each financial year-end. If expectations differ from previous estimates, the changes accounted for as a change in an accounting estimate in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Estimated useful lives for certain items of property, plant and equipment has been changed as disclosed in Note 15.7.

Impairment of non-financial assets/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 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.

Goodwill is tested for impairment on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated.

The Group has allocated the goodwill to cash generating units that are expected to benefit from the synergies of the combination.

Taxes

The Group is subject to income tax and other taxes including VAT and NBT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties 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. Accordingly, based on such reasonable estimates, the Group establishes the provisions to be made during the financial year. 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.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax losses carried forward amounting to Rs. 798 million (2012-Rs. 433 million). These losses relate to subsidiary that has a history of losses that do not expire and may not be used to offset other tax liabilities and where the Subsidiary has no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

Further details on taxes are disclosed in Note 10.

Employee Benefit Liability

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. Details of the key assumptions used in the estimates are contained in Note 31.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Operating Lease

The Company has entered into a long-term pet bottle supply arrangement with a third party entity for a period of 12 years from 2009 where the entirely of the output of the arrangement is consumed by the Company. In determining the accounting treatment for this, the Company considered many factors including the technical and operational aspects. The economic life of the asset has been determined to be 20 years based on the current and future operating level of the factory and taking into consideration the manufacturer's recommended running hours of the machine.

Such judgement, along with the intention of the Management in connection with the continuity of the arrangement were principally taken into account, that let to the overall conclusion that this arrangement constitutes to an operating lease.

Deposit on Returnable Containers and Crates

Deposit on returnable containers and crates represents the 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 are returned to the Company or the deposit is forfeited to the extent the returnable containers and crates are not returned to the Company.

During the year 2011/2012 a detailed analysis was undertaken by the management to establish the liability considering the past data relating to distributor termination and refund and forfeiture of deposits. A mathematical formula was derived from this analysis taking in to 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 is transferred to the Income Statement.

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4.1 Business combinations and goodwill

Acquisitions of subsidiaries 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 acquire, 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 excess is negative, a bargain purchase gain is recognised immediately in the Income Statement.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of LKAS 39, is measured at fair value with changes in fair value either in profit or loss or as a change to other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Subsidiary acquired, the difference is recognised in the Income Statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value maybe impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

1.4.2 Foreign currency translation

Foreign currency transactions and balances

The Consolidated Financial Statements are presented in Sri Lanka rupees, which is the Group'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.

1.4.3 Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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.

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 arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each 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 profit or loss is recognised outside profit or loss. 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.4.4 Property, plant and equipment

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 Company and the cost of the asset can be reliably measured.

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and 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. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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.

Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing assets every five years.

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 relating to the particular asset being sold is transferred to retained earnings.

De recognition

An item of property, plant and equipment are de recognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de recognition of the asset is included in the Income Statement in the year the asset is de recognised.

Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	30
Building on Lease Hold Land*	10
Plant and Machinery	3-20
Equipments, Furniture and Fittings	5-8
Motor Vehicles	15
Others Assets	4-20
Returnable containers	3-10

**Useful life of the building on lease hold land is the shorter of remaining useful life or lease period.*

Depreciation commences in the month following the purchase/ commissioning of the asset and ceases in the month of disposal or scrapped.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

1.4.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2012 in accordance with the SLFRS 1.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the Income Statement on a straight-line basis over the lease term.

1.4.6 Leasehold property

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided.

Details of Leasehold Property are given in Note 41.1 to the Financial Statements.

1.4.7 Investment properties

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 frequent intervals by an accredited external, independent valuer.

Investment properties are de recognised 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.

1.4.8 Intangible assets

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 against Income Statement in the year in which the expenditure is incurred.

Useful economic lives, amortization 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 amortized 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.

Purchased software

Purchased software is recognised as intangible assets and is amortised on a straight line basis over its useful life.

Software license

Software license cost is recognised as an intangible asset and amortised over the period of expected future usage of related ERP systems.

A summary of the policies applied to the Group's intangible assets is as follows.

Intangible	Useful life	Acquired/ Internally generated	Impairment testing
Purchased Software	3-10	Acquired	When indicators of impairment arise. The amortisation method is reviewed at each financial year end
Software License	3-6	Acquired	

Gains or losses arising from de-recognition 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 de-recognised.

1.4.9 Financial instruments - initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss. Purchases or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, and loans and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment is recognised in the Income Statement in finance costs.

De recognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is de recognised when:

- The rights to receive cash flows from the asset has expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Income Statement

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are de recognised as well as through the effective interest rate method (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 in finance costs in the Income Statement.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.

1.4.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use,the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the Income Statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against there valuation 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.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually 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.

1.4.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Raw materials, Machinery spares and other inventories	Actual cost on a weighted average basis
Finished goods, Retail 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

1.4.12 Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the cash flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

1.4.13 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 the Income Statement.

1.4.14 Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Group contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

1.4.15 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate,the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18)

Contingent assets are disclosed, where inflow of economic benefit is probable.

1.4.16 Deposit on Returnable Containers and Crates

Deposit on returnable containers and crates represents the cash deposits collected from distributors when issuing returnable containers and crates by the Company. At the time of termination of a distributor the deposit is refunded in case the returnable containers and crates were returned to the Company or the deposit was forfeited to the extent the returnable containers and crates were not returned to the Company.

At each Reporting date the Company evaluates the liability based on a mathematical formula that considers the tenor 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.

1.4.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group.

The following specific criteria are used for recognition of revenue:

Sale of goods

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Turnover based taxes

Turnover based taxes include value added tax, economic service charge, nation building tax, turnover tax. Companies in the Group pay such taxes in accordance with the respective statutes.

Dividend

Dividend income is recognised when the Group's right to receive the payment is established.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly 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.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Rental income is recognised on accrual basis over the term of the Rent agreement.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Any losses arising from guaranteed rentals are accounted for in the year of incurring the same. A provision is recognised if the projection indicates a loss.

Other income

Other income is recognised on an accrual basis.

1.4.18 Expenditure recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the Income Statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group's performance.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

1.5 SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKAS) ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

a) SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

b) SLFRS 10-Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and separate Financial Statements that addresses the accounting for Consolidated Financial Statements. It also includes the issues raised in standing interpretations committee – SIC-12 Consolidation – Special Purpose Entities.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014.

c) SLFRS 11-Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in Joint Ventures and SIC-1e Jointly-controlled entities - Non-monetary Contributions by ventures. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the Financial Position of the Group. This is due to the cessation proportionate consolidating of joint ventures being changed to equity accounting. This standard becomes effective for annual periods beginning on or after 1 January 2014.

d) SLFRS 12 Disclosure of Interests in other entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to Consolidated Financial Statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014.

e) SLFRS 13-Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

1.6 SEGMENT INFORMATION

Operating segments

There are two segments identified as Manufacturing and Retailing, Manufacturing business is mainly carried out by the parent company and retailing is carried out by the fully-owned subsidiary Jaykay Marketing Services (Pvt) Ltd.

Each of these operating segments is managed by Presidents acting as segment managers namely;

- Manufacturing segment - President, Consumer Foods Sector
- Retailing Segment - President, Retail Sector

These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

The measurement policies the Company uses for segment reporting under SLFRS 8 are the same as those used in its financial statements.

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

All Inter-Segment transfers are carried out at arm's length prices.

These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Segment information has been prepared in conformity with the Accounting policies adopted for preparing and presenting the Consolidated Financial Statement of the Group.

2.0 FIRST-TIME ADOPTION OF SLFRS/LKAS

These Financial Statements, for the year ended 31 March 2013, are the first the Group has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31 March 2012, the Group prepared its Financial Statements in accordance with Sri Lanka Accounting standards which were effective up to 31 March 2012.

Accordingly, the Group has prepared Financial Statements which comply with SLFRS/LKAS applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these Financial Statements, the Group's opening Statement of Financial Position was prepared as at 1 April 2011, the Group's date of transition to SLFRS/LKAS. This note explains the principal adjustments made by the Group in restating its SLAS Statement of Financial Position as at 1 April 2011, and its previously published SLAS Financial Statements as at and for the year ended 31 March 2012.

Exemptions applied

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRS/LKAS.

The Group has applied the following optional exemptions:

SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS/LKAS, or of interests in associates and joint ventures that occurred before 1 April 2011. The Group has not applied LKAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SLFRS/LKAS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

Use of this exemption means that the SLAS carrying amount of assets and liabilities, which are required to be recognised under SLFRS/LKAS, are stated at their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS/LKAS. Assets and liabilities that do not qualify for recognition under SLFRS/LKAS are excluded from the opening SLFRS/LKAS Statement of Financial Position.

SLFRS 1 also requires that the SLAS carrying amount of goodwill must be used in the opening SLFRS/LKAS Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS/LKAS.

Freehold land and buildings, other than investment property, were carried in the Statement of Financial Position prepared in accordance with SLAS on the basis of valuations performed prior to 31 March 2012. The Group has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.

IFRIC 4 Determining whether an arrangement contains a Lease

The Group has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

The Group has applied the following mandatory exemptions:

Significant accounting judgments, estimates and assumptions

Significant accounting judgments, estimates and assumptions at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with SLAS effective up to 31 March 2013 (after adjustments to reflect any differences in accounting policies).

The estimates used by the Group to present these amounts in accordance with SLFRS/LKAS effective from 1 April 2012 reflect conditions at 1 April 2011, the date of transition to SLFRS/LKAS and as of 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

FIRST TIME ADOPTION OF SLFRS/LKAS

3.1 RECONCILIATION OF COMPREHENSIVE INCOME - CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2012 In Rs.'000s	Note	Group As per SLAS	Group Effect of transition to SLFRS/LKAS	Group As per SLFRS/LKAS	Company As per SLAS	Company Effect of transition to SLFRS/LKAS	Company As per SLFRS/LKAS
Revenue	3.6	20,243,567	(52,756)	20,190,811	8,275,007	-	8,275,007
Cost of sales	3.6	(17,192,679)	45,910	(17,146,769)	(5,495,808)	-	(5,495,808)
Gross profit		3,050,888	(6,846)	3,044,042	2,779,199	-	2,779,199
Other operating income	3.7	597,595	(12,097)	585,498	277,939	(7,712)	270,227
Distribution expenses		(1,168,686)	(2,144)	(1,170,830)	(1,095,675)	(2,144)	(1,097,819)
Administrative expenses		(592,993)	(812)	(593,805)	(319,790)	(812)	(320,602)
Other operating expenses		(353,213)	-	(353,213)	(207,397)	-	(207,397)
Finance cost		(91,433)	-	(91,433)	(43,674)	-	(43,674)
Finance income	3.7	-	14,946	14,946	-	10,561	10,561
Change in fair value of investment property		1,106,655	-	1,106,655	1,106,655	-	1,106,655
Profit before tax		2,548,813	(6,953)	2,541,860	2,497,257	(107)	2,497,150
Tax expense		(306,407)	-	(306,407)	(272,834)	-	(272,834)
Profit for the year		2,242,406	(6,953)	2,235,453	2,224,423	(107)	2,224,316

3.2 RECONCILIATION OF COMPREHENSIVE INCOME - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March In Rs.'000s	Note	Group As per SLAS	Group Effect of transition to SLFRS/LKAS	Group As per SLFRS/LKAS	Company As per SLAS	Company Effect of transition to SLFRS/LKAS	Company As per SLFRS/LKAS
Profit for the year		2,242,406	(6,953)	2,235,453	2,224,423	(107)	2,224,316
Other comprehensive income							
Revaluation of land and buildings		-	46,321	46,321	-	46,321	46,321
Other comprehensive income for the year, net of tax		-	46,321	46,321	-	46,321	46,321
Total comprehensive income for the year, net of tax		2,242,406	39,368	2,281,774	2,224,423	46,214	2,270,637

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

FIRST TIME ADOPTION OF SLFRS/LKAS - GROUP

3.3 RECONCILIATION OF EQUITY - CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Equity as at 31st March 2012			Equity as at 1st April 2011 (date of transition to SLFRS/LKAS)		
In Rs.'000s	Note	As per SLAS	Effect to of transition SLFRS/LKAS	As per SLFRS/LKAS	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
ASSETS							
Non-current assets							
Property, plant and equipment		4,071,521	-	4,071,521	3,689,511	-	3,689,511
Intangible assets		164,685	-	164,685	168,564	-	168,564
Investment property		3,765,855	-	3,765,855	2,582,195	-	2,582,195
Deferred tax assets		27,050	-	27,050	42,340	-	42,340
Other non-current financial assets	3.8	-	80,117	80,117	-	67,484	67,484
Other non-current assets	3.8	95,081	(80,224)	14,857	76,230	(67,484)	8,746
		8,124,192	(107)	8,124,085	6,558,840	-	6,558,840
Current assets							
Inventories		1,815,623	-	1,815,623	1,602,827	-	1,602,827
Trade and other receivables	3.9	1,656,794	(323,890)	1,332,904	1,290,848	(157,846)	1,133,002
Amounts due from related parties		7,382	-	7,382	7,418	-	7,418
Tax Recoverable		123,625	-	123,625	106,949	-	106,949
Other current assets	3.9		323,890	323,890	-	157,846	157,846
Short Term investments		15,400	-	15,400	-	-	-
Cash in hand and at bank		211,751	-	211,751	72,974	-	72,974
		3,830,575	-	3,830,575	3,081,016	-	3,081,016
Total assets		11,954,767	(107)	11,954,660	9,639,856	-	9,639,856
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
Stated capital		918,200	-	918,200	270,200	-	270,200
Capital reserves	3.10	2,900,278	(2,896,304)	3,974	2,853,957	(2,849,983)	3,974
Revenue reserves		3,473,080	(7,636)	3,465,444	1,324,484	(684)	1,323,800
Other components of equity	3.10		2,896,304	2,896,304	-	2,849,983	2,849,983
Total equity		7,291,558	(7,636)	7,283,922	4,448,641	(684)	4,447,957
Non-current liabilities							
Borrowings		244,443	-	244,443	219,769	-	219,769
Deferred tax liabilities		81,412	-	81,412	76,741	-	76,741
Employee benefit liabilities		353,820	-	353,820	316,901	-	316,901
Other non-current liabilities		212,942	-	212,942	335,680	-	335,680
Other deferred liabilities	3.11	-	7,529	7,529	-	684	684
		892,617	7,529	900,146	949,091	684	949,775
Current liabilities							
Trade and other payables	3.12	2,438,824	(238,296)	2,200,528	2,214,293	(207,735)	2,006,558
Amounts due to related parties		131,878	-	131,878	109,827	-	109,827
Income tax payable		125,091	-	125,091	75,120	-	75,120
Short term borrowings		240,000	-	240,000	493,164	-	493,164
Borrowings		115,010	-	115,010	153,048	-	153,048
Other current liabilities	3.12	-	238,296	238,296	-	207,735	207,735
Bank overdrafts		719,789	-	719,789	1,196,672	-	1,196,672
		3,770,592	-	3,770,592	4,242,123	-	4,242,123
Total equity and liabilities		11,954,767	(107)	11,954,660	9,639,856	-	9,639,856

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

FIRST TIME ADOPTION OF SLFRS/LKAS - COMPANY

3.4 RECONCILIATION OF EQUITY - COMPANY STATEMENT OF FINANCIAL POSITION

In Rs'000s	Note	Equity as at 31st March 2012 As per SLAS	Effect to of transition SLFRS/LKAS	As per SLFRS/LKAS	Equity as at 1st April 2011 (date of transition to SLFRS/LKAS) As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
ASSETS							
Non-current assets							
Property, plant and equipment		2,875,739		2,875,739	2,512,617		2,512,617
Intangible assets		2,662		2,662	259		259
Investment property		3,765,855		3,765,855	2,582,195		2,582,195
Investments in subsidiary		1,022,892		1,022,892	522,892		522,892
Other non-current financial assets	3.8	-	59,283	59,283	-	50,282	50,282
Other non-current assets	3.8	72,172	(59,390)	12,782	58,371	(50,282)	8,089
		7,739,320	(107)	7,739,213	5,676,334	-	5,676,334
Current assets							
Inventories		557,255		557,255	436,756		436,756
Trade and other receivables	3.9	1,117,301	(278,229)	839,072	850,164	(118,876)	731,288
Amounts due from related parties		5,950		5,950	5,255		5,255
Other current assets	3.9	-	278,229	278,229	-	118,876	118,876
Short term investments		15,400	-	15,400	-		-
Cash in hand and at bank		127,234		127,234	19,861		19,861
		1,823,140	-	1,823,140	1,312,036	-	1,312,036
Total assets		9,562,460	(107)	9,562,353	6,988,370	-	6,988,370
EQUITY AND LIABILITIES							
Stated capital		918,200		918,200	270,200	-	270,200
Capital reserves		2,900,278	(2,896,304)	3,974	2,853,957	(2,849,983)	3,974
Revenue reserves		3,670,382	(107)	3,670,275	1,536,950	-	1,536,950
Other components of equity	3.10	-	2,896,304	2,896,304		2,849,983	2,849,983
Total equity		7,488,860	(107)	7,488,753	4,661,107	-	4,661,107
Non-current liabilities							
Borrowings		244,443	-	244,443	219,769	-	219,769
Deferred Tax Liabilities		81,412	-	81,412	76,741	-	76,741
Employee benefit liabilities		297,821	-	297,821	270,136	-	270,136
Other non-current liabilities		212,942	-	212,942	335,680	-	335,680
		836,618	-	836,618	902,326	-	902,326
Current liabilities							
Trade and other payables	3.12	851,429	(224,204)	627,225	677,958	(188,267)	489,691
Amounts due to related parties		14,894	-	14,894	10,780	-	10,780
Income Tax Liabilities		121,955	-	121,955	74,399	-	74,399
Short term borrowings		-	-		232,000	-	232,000
Borrowings		115,010	-	115,010	153,048	-	153,048
Other current liabilities	3.12	-	224,204	224,204	-	188,267	188,267
Bank overdrafts		133,694	-	133,694	276,752	-	276,752
		1,236,982	-	1,236,982	1,424,937	-	1,424,937
Total equity and liabilities		9,562,460	(107)	9,562,353	6,988,370	-	6,988,370

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 101 to 143 form an integral part of these Financial Statements.

FIRST TIME ADOPTION OF SLFRS/LKAS

NOTES TO THE RECONCILIATIONS

In Rs'000s	Group		Company	
	As reported previously	Current presentation	As reported previously	Current presentation
3.5 Comparatives				
Profit before tax	2,548,813	2,541,860	2,497,257	2,497,150
Tax expense	(306,407)	(306,407)	(272,834)	(272,834)
Profit for the year	2,242,406	2,235,453	2,224,423	2,224,316

Due to the application of IFRIC 4, payments made under Bottle supply agreement amounting to Rs. 30 million (2012 - Rs. 29 million) with third party has been classified as operating lease under Cost of Sales.

3.6 Revenue recognition

The JKH Group operates a loyalty points programme. Under SLAS, the fair value of points issued were accounted as cost of sales. Due to the application of LKAS-18, loyalty points have now been reclassified under revenue.

In Rs'000s	Group	
	As reported previously	Current presentation
Revenue	20,243,567	20,190,811
Cost of Sales	(17,192,679)	(17,146,769)

3.7 Other operating income

As per previous SLAS interest income was classified under other operating income. Under SLFRS/LKAS interest income has been classified in finance income.

Reclassification from - Other operating income
Reclassification to - Finance income

In Rs'000s	Group	Company
For the Year ended 31 March 2012	12,097	7,712

3.8 Other non-current asset

Due to the application of LKAS 32 & 39, financial assets in other non-current assets have been reclassified to other non current financial assets.

Reclassification from - Other non-current assets
Reclassification to - Other non-current financial assets

In Rs'000s	Group	Company
As at 31st March 2012	80,117	59,283
As at 1st April 2011	67,484	50,282

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3.9 Trade and other receivables

Due to the application of LKAS 32 & 39, non financial assets (Prepayments and Tax refunds) in trade & other receivables have been reclassified to other current assets.

Reclassification from - Trade and other receivables
Reclassification to - Other current assets

In Rs'000s	Group	Company
As at 31st March 2012	323,890	278,229
As at 1st April 2011	157,846	118,876

3.10 Capital reserves

Due to the application of SLFRS/LKAS, Presentation of Financial Statements has changed. Some capital reserves have been reclassified to other component of equity.

Reclassification from - Capital reserves
Reclassification to - Other components of equity

In Rs'000s	Group	Company
As at 31st March 2012	2,896,304	2,896,304
As at 1st April 2011	2,849,983	2,849,983

3.11 Other deferred liabilities

Lease agreements have been negotiated at reduced rates during initial period. Such reduced rates need to be spread on a 'straight line basis' over the tenure of the lease.

In Rs'000s	Group	Company
As at 31 March 2012	7,529	-
As at 31 March 2011	684	-

3.12 Trade and other payables

Due to the application of LKAS 32 & 39, non financial liabilities (Tax payables and Advance received) in trade & other payables have been reclassified to other current liabilities.

Reclassification from - Trade and other payables
Reclassification to - Other current liabilities

In Rs'000s	Group	Company
As at 31st March 2012	238,296	224,204
As at 1st April 2011	207,735	188,267

3.13 Statement of cash flows

The transition from SLAS to SLFRS/LKAS has not had a material impact on the Statement of cash flows.

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012

4 REVENUE

4.1 Net revenue

Sale of goods	**22,476,066**	20,190,811	**8,530,340**	8,275,007

The above Net Revenue is stated after deducting Value Added Tax amounting Rs. 1,130 million (Rs. 975 million - 2012) to the Group and Company.

4.2 Geographical segment analysis (by location of customers)

Sri Lanka	**22,302,874**	20,061,847	**8,357,148**	8,146,043
Others	**173,192**	128,964	**173,192**	128,964
Total Group external revenue	**22,476,066**	20,190,811	**8,530,340**	8,275,007

All Non-Current Assets are Located in Sri Lanka.

4.3 Operating segments

The following tables present revenue, profit information and segment assets regarding the Group's operating segments.

	Manufacture 2013	Manufacture 2012	Retail 2013	Retail 2012	Total 2013	Total 2012
External Revenue	**8,451,493**	8,272,430	**14,024,573**	11,918,381	**22,476,066**	20,190,811
Inter segment revenue	**78,847**	2,577	**-**	-	**78,847**	2,577
Segment Revenue	**8,530,340**	8,275,007	**14,024,573**	11,918,381	**22,554,913**	20,193,388
Elimination	**(78,847)**	(2,577)	**-**	-	**(78,847)**	(2,577)
Revenue	**8,451,493**	8,272,430	**14,024,573**	11,918,381	**22,476,066**	20,190,811
Segment Profit / (loss)	**1,245,993**	1,422,732	**(181,880)**	88,960	**1,064,113**	1,511,692
Finance cost	**(45,871)**	(43,674)	**(55,282)**	(47,759)	**(101,153)**	(91,433)
Finance income	**18,749**	10,561	**3,990**	4,385	**22,739**	14,946
Profit / (loss) before tax	**1,218,871**	1,389,619	**(233,172)**	45,586	**985,699**	1,435,205
Tax Expense	**(384,546)**	(272,834)	**39,495**	(33,573)	**(345,051)**	(306,407)
Profit/(Loss) for the year	**834,325**	1,116,785	**(193,677)**	12,013	**640,648**	1,128,798
Reportable Segment Assets	**5,798,054**	4,772,692	**3,880,825**	3,301,107	**9,678,879**	8,073,799
Capital Expenditure	**963,531**	749,106	**445,073**	245,235	**1,408,604**	994,341
Reportable Segment Liabilities	**2,333,354**	2,071,166	**3,325,968**	2,599,572	**5,659,322**	4,670,738

*Inter Segment revenue & Inter Company Balances are eliminated on consolidation.
*Segment Asset do not include goodwill, Investment Property & Investment in Subsidiary.
*Segment Profit/Loss does not include change in Fair value of Investment Property & Net results of inter segment transactions.

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012

5 OTHER OPERATING INCOME

Exchange gain	**1,175**	9,799	**695**	7,942
Promotional Income	**233,907**	201,450	**-**	-
Write back of dealer deposits	**42,958**	201,724	**42,958**	201,724
Scrap sales	**13,056**	13,295	**13,056**	13,295
Rental Income	**74,615**	63,231	**7,108**	9,042
Franchise Income	**31,402**	28,628	**8,445**	9,769
Sundry income	**112,175**	67,371	**27,338**	28,455
	509,288	585,498	**99,600**	270,227

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6 OTHER OPERATING EXPENSES

Other Operating Expenses includes Nation Building Tax of Rs. 301 million (2012 - Rs. 275 million) for the Group and Rs. 151 million (2012 - Rs. 148 million) for the Company.

	Group		Company	
For the year ended 31st March **In Rs.'000s**	**2013**	**2012**	**2013**	**2012**
7 FINANCE COST				
Interest expense on borrowings				
Long term*	**68,945**	53,108	**43,096**	31,364
Short term	**32,208**	38,325	**2,775**	12,310
	101,153	91,433	**45,871**	43,674

* Borrowing cost of Rs. 9.8 million has been capitalised during the year. Capitalised borrowing cost is included under the Plant and Machinery. The Capitalised amount was based on the actual interest cost at 13.88 percent.

8 FINANCE INCOME

Interest income - Staff loan	**14,046**	8,579	**10,603**	7,123
Income from Short term investments	**8,693**	6,367	**8,146**	3,438
	22,739	14,946	**18,749**	10,561

9 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following;

Remuneration to executive directors	**43,158**	34,003	**29,114**	25,856
Remuneration to non executive directors	**7,362**	6,592	**5,400**	4,800
Auditors' remuneration				
Audit	**1,679**	1,393	**1,321**	873
Non-audit	**951**	828	**441**	366
Costs of defined employee benefits				
Defined benefit plan cost	**(580)**	56,373	**(16,273)**	44,411
Defined contribution plan cost - EPF and ETF	**135,003**	122,708	**83,563**	83,050
Staff expenses	**1,876,338**	1,667,381	**1,163,433**	1,121,208
Depreciation of property, plant and equipment	**626,380**	528,745	**393,743**	321,589
Amortisation of intangible assets	**12,640**	11,096	**679**	97
Operating lease payments	**30,713**	29,230	**30,713**	29,230
Loss on sale of property, plant and equipment	**56,130**	35,503	**40,382**	31,454
Donations	**10,806**	6,454	**10,276**	6,110

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
10 TAX EXPENSE				
Current income tax				
Current tax charge	**169,174**	257,046	**170,560**	254,163
Under provision for previous years	**5,234**	14,000	**5,234**	14,000
Economic Service charge written off	**29,109**	15,400	**-**	-
Deferred tax				
Relating to origination and reversal of temporary differences	**141,534**	19,961	**208,752**	4,671
	345,051	306,407	**384,546**	272,834
10.1 Reconciliation between Income tax expense and the product of accounting profit				
Profit before tax	**2,260,768**	2,541,860	**2,512,475**	2,497,150
Profits not charged to income tax	**(1,318,027)**	(1,308,379)	**(1,318,027)**	(1,308,379)
Exempt Profit	**(9,049)**	(11,479)	**(9,049)**	(11,479)
Accounting profit / (loss) chargeable to income taxe	**933,692**	1,222,002	**1,185,399**	1,177,292
Tax effect on chargeable profits	**261,434**	342,161	**327,052**	323,520
Tax effect on Disallowed /(Allowed) expenses	**(60,222)**	(67,113)	**(124,454)**	(51,355)
Tax effect on qualifying Payment relief	**(32,038)**	(18,002)	**(32,038)**	(18,002)
Economic service charge written off	**29,109**	15,400	**-**	-
Under provision for previous years	**5,234**	14,000	**5,234**	14,000
	203,517	286,446	**175,794**	268,163
Income tax charged at				
Standard rate 28%	**167,911**	255,257	**169,297**	252,374
Concessionary rate of 12%	**1,263**	1,789	**1,263**	1,789
Economic service charge written off	**29,109**	15,400	**-**	-
Under provision for previous years	**5,234**	14,000	**5,234**	14,000
Charge for the year	**203,517**	286,446	**175,794**	268,163
Deferred tax charge	**141,534**	19,961	**208,752**	4,671
Total tax expense	**345,051**	306,407	**384,546**	272,834
10.2 Deferred tax expense				
Income Statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	**251,800**	31,339	**219,291**	11,824
Employee benefit liabilities	**(8,134)**	(9,738)	**(10,539)**	(7,153)
Benefit arising from tax losses	**(102,132)**	(1,640)	**-**	-
Deferred tax charge	**141,534**	19,961	**208,752**	4,671
Other comprehensive income				
Deferred tax expense arising from;				
Revaluation of land and buildings to fair value	**30,008**	-	**28,143**	-
Total deferred tax charge	**171,542**	19,961	**236,895**	4,671

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In Rs. '000	Year of investment	Cost of approved investment	Investments relief claimed
10.3 Details of investment relief			
Ceylon Cold Stores PLC	2011/2012	256,702	128,351
	2012/2013	167,104	41,776

The Company is eligible for qualifying payment relief granted under Section 34(2)(s) of the Inland Revenue Act, No. 10 of 2006 duly amended by the Inland Revenue (Amendment) Act, No.8 of 2012. The Company has carried forward the unclaimed investment relief to set off in future years.

10.4 Applicable rates of income tax

The tax liability of the Company is computed at the standard rate of 28% except for the following partial exemptions.

Company	Basis	Exemptions or concessions	Period
Exemptions/concessions granted under the Inland Revenue Act			
Ceylon Cold Stores PLC	Off-Shore activities for receipt in foreign currency	Exempt	Open-ended

As at 31st March In Rs.'000s	Group 2013	2012
10.5 Tax Losses Carried Forward		
Tax Losses Brought Forward	**433,174**	427,313
Losses during the year	**362,090**	11,896
Adjustment to brought forward Tax Losses	**3,546**	-
Utilisation of Tax Losses	**(880)**	(6,035)
	797,930	433,174

11 EARNINGS PER SHARE

	2013	2012
Basic earnings per share		
Profit for the Year	**1,915,717**	2,235,453
Dividend on Preference Shares (Net of tax)	**(13)**	(13)
Profit attributable to equity holders of the parent	**1,915,704**	2,235,440
Weighted average number of ordinary shares	**95,040**	94,485
Basic earnings per share (Rs.)	**20.16**	23.66

11.1 Amount used as denominator

	2013	2012
Weighted average number of ordinary shares outstanding during the year	**95,040**	94,485

12 DIVIDEND PER SHARE

Equity dividend on ordinary shares	Rs.	2013	Rs.	2012
Declared and paid during the year				
First & Final dividend*	**4.00**	**380,160**	4.00	86,400
Total dividend	**4.00**	**380,160**	4.00	86,400

*Previous years' final dividend paid in the current year.

The Final Dividend Proposed for this financial year has not been recognised as at 31st March 2013 amounting to Rs. 380.2 million in compliance with LKAS 10 - Events after the Reporting Period.

13 FINANCIAL INSTRUMENTS

13.1 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories	Group Loans and receivables			Company Loans and receivables		
As at 31st March In Rs. '000	2013	2012	As at 1 April 2011	2013	2012	As at 1 April 2011
Financial instruments in non-current assets						
Other non-current financial assets	**85,340**	80,117	67,484	**61,984**	59,283	50,282
Financial instruments in current assets						
Trade and other receivables	**1,441,539**	1,332,904	1,133,002	**947,128**	839,072	731,288
Amounts due from related parties	**25,673**	7,382	7,418	**68,397**	5,950	5,255
Short term investments	**134,053**	15,400	-	**134,053**	15,400	-
Cash in hand and at bank	**353,755**	211,751	72,974	**169,837**	127,234	19,861
Total	**2,040,360**	1,647,554	1,280,878	**1,381,399**	1,046,939	806,686
Fair value of financial asset	**2,040,360**	1,647,554	1,280,878	**1,381,399**	1,046,939	806,686

Financial liabilities by categories	Group Financial liabilities measured at amortised cost			Company Financial liabilities measured at amortised cost		
As at 31st March In Rs. '000	2013	2012	As at 1 April 2011	2013	2012	As at 1 April 2011
Financial instruments in non-current liabilities						
Borrowings	**324,935**	244,443	219,769	**324,935**	244,443	219,769
Financial instruments in current liabilities						
Trade & Other payables	**2,778,012**	2,200,528	2,006,558	**644,181**	627,225	489,691
Amounts due to related parties	**114,450**	131,878	109,827	**13,000**	14,894	10,780
Short term borrowings	**93,000**	240,000	493,164	**-**	-	232,000
Current portion of borrowings	**139,598**	115,010	153,048	**139,598**	115,010	153,048
Other current liabilities	**324,961**	238,296	207,735	**290,043**	224,204	188,267
Bank overdrafts	**973,262**	719,789	1,196,672	**93,442**	133,694	276,752
Total	**4,748,218**	3,889,944	4,386,773	**1,505,199**	1,359,470	1,570,307
Fair value of financial liabilities	**4,748,218**	3,889,944	4,386,773	**1,505,199**	1,359,470	1,570,307

The fair value of floating rate loan is determined by discounting the future cash flows using prevailing market rates. The frequency of repricing per year affects the fair value. In general, a loan that is repriced every six (6) months will have a carrying value closer to the fair value with similar maturity and interest basis.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

14 Financial risk management objectives and policies

Financial instruments held by the Group, principally comprise of cash, loan and other receivables, trade and other receivables, trade and other payables, loans and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group. The Group is exposed to market risk, credit risk and liquidity risk.

Risk management is carried out by a central treasury department (JKH Group Treasury) under guidelines of the Group Executive Committee (GEC). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The GEC provides guidelines for overall risk management, as well as covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

14.1 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 Company 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 and loan. The Group's exposure to credit risk arises from default of the counter party. The Company manages its operations to avoid any excessive concentration of counter party risk and the Company takes all reasonable steps to ensure the counter parties fulfil their obligations.

14.4 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.

				2013				
Group **In Rs. '000**	**Notes**	**Other assets non current financial**	**Cash in hand and at bank**	**Trade and other receivables**	**Short term investments**	**Amounts due from related parties**	**Total**	**% of allocation**
Government securities	14.1.2	-	-	-	134,053	-	134,053	7%
Loans to executives	14.1.3	85,340	-	-	-	-	85,340	4%
Trade and other receivables	14.1.4	-	-	1,441,539	-	-	1,441,539	71%
Amounts due from related parties	14.1.5	-	-	-	-	25,673	25,673	1%
Cash in hand and at bank	14.1.6	-	353,755	-	-	-	353,755	17%
Total credit risk exposure		85,340	353,755	1,441,539	134,053	25,673	2,040,360	100%
Total		85,340	353,755	1,441,539	134,053	25,673		

				2012				
In Rs. '000	**Notes**	**Other assets non current financial**	**Cash in hand and at bank**	**Trade and other receivables**	**Short term investments**	**Amounts due from related parties**	**Total**	**% of allocation**
Government securities	14.1.2	-	-	-	15,400	-	15,400	1%
Loans to executives	14.1.3	80,117	-	-	-	-	80,117	5%
Trade and other receivables	14.1.4	-	-	1,332,904	-	-	1,332,904	81%
Amounts due from related parties	14.1.5	-	-	-	-	7,382	7,382	0%
Cash in hand and at bank	14.1.6	-	211,751	-	-	-	211,751	13%
Total credit risk exposure		80,117	211,751	1,332,904	15,400	7,382	1,647,554	100%
Total		80,117	211,751	1,332,904	15,400	7,382		

Company In Rs. '000	Notes	Other non current financial assets	Cash in hand and at bank	2013 Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
Government securities	14.1.2	-	-	-	134,053	-	134,053	10%
Loans to executives	14.1.3	61,984	-	-	-	-	61,984	4%
Trade and other receivables	14.1.4	-	-	947,128	-	-	947,128	69%
Amounts due from related parties	14.1.5	-	-	-	-	68,397	68,397	5%
Cash in hand and at bank	14.1.6	-	169,837	-	-	-	169,837	12%
Total credit risk exposure		61,984	169,837	947,128	134,053	68,397	1,381,399	100%
Total		61,984	169,837	947,128	134,053	68,397		

In Rs. '000	Notes	Other non current financial assets	Cash in hand and at bank	2012 Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
Government securities	14.1.2	-	-	-	15,400	-	15,400	1%
Loans to executives	14.1.3	59,283	-	-	-	-	59,283	6%
Trade and other receivables	14.1.4	-	-	839,072	-	-	839,072	80%
Amounts due from related parties	14.1.5	-	-	-	-	5,950	5,950	1%
Cash in hand and at bank	14.1.6	-	127,234	-	-	-	127,234	12%
Total credit risk exposure		59,283	127,234	839,072	15,400	5,950	1,046,939	100%
Total		59,283	127,234	839,072	15,400	5,950		

14.1.2 Government securities

As at 31 March 2013 as shown in the table above, 10% (2012-1%) of debt securities comprise investments in government securities in treasury, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

14.1.3 Loans to executives

Loans to executive portfolio is 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.

14.1.4 Trade and other receivables

In Rs. '000	Group 2013	Group 2012	Company 2013	Company 2012
Neither past due nor impaired days				
<30	**1,276,378**	1,130,216	**837,104**	756,816
30–60	**116,580**	98,880	**74,665**	69,460
61–90	**38,499**	14,411	**28,407**	12,768
Past due but not impaired				
91–120	**1,487**	44,708	**1,063**	17
121–180	**312**	21,775	**312**	-
> 181	**8,283**	22,914	**5,577**	11
Impaired	**20,429**	22,064	**18,119**	19,761
Gross carrying value	**1,461,968**	1,354,968	**965,247**	858,833
Less: impairment provision				
Individually assessed impairment provision	**(20,429)**	(22,064)	**(18,119)**	(19,761)
Total	**1,441,539**	1,332,904	**947,128**	839,072

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The Company has obtained bank guarantees from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for clients. The calculation is based on actual incurred historical data.

14.1.5 Amounts due from related parties

The Group balance consists of the balance from affiliate companies and parent.

14.1.6 Credit risk relating to cash in hand and at Bank and short term investments

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counter party. In addition, the Company and the Subsidiary maintains an authorised list of acceptable cash counter parties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and cash equivalents of Rs. 488 million at 31 March 2013 (2012 - Rs. 227 million) and for the Company Rs. 303 million as at 31st March 2013 (2012 - Rs. 143 million)

14.2 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 Company and the Subsidiary 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.

14.2.1 Net (debt)/cash

	Group		Company	
In Rs. '000	**2013**	**2012**	**2013**	**2012**
Short term investments	**134,053**	15,400	**134,053**	15,400
Cash in hand and at bank	**353,755**	211,751	**169,837**	127,234
Total liquid Assets	**487,808**	227,151	**303,890**	142,634
Borrowings	**324,935**	283,443	**324,935**	244,443
Short term Borrowings	**93,000**	240,000	**-**	-
Current portion of borrowings	**139,598**	115,010	**139,598**	115,010
Bank overdrafts	**973,262**	719,789	**93,442**	133,694
Total liabilities	**1,530,795**	1,319,242	**557,975**	493,147
Net debt	**(1,042,987)**	(1,092,091)	**(254,085)**	(350,513)

14.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2013 based on contractual undiscounted payments.

2013 In Rs. '000	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Group							
Financial instruments in non-current liabilities							
Borrowings	-	139,597	101,264	69,074	15,000	-	324,935
Financial instruments in current liabilities							
Trade & Other Payables	2,778,012	-	-	-	-	-	2,778,012
Amounts due to related parties	114,450	-	-	-	-	-	114,450
Short term borrowings	93,000	-	-	-	-	-	93,000
Current portion of borrowings	139,598	-	-	-	-	-	139,598
Other current liabilities	324,961	-	-	-	-	-	324,961
Bank overdrafts	973,262	-	-	-	-	-	973,262
	4,423,283	139,597	101,264	69,074	15,000	-	4,748,218

2013 In Rs. '000	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Company							
Financial instruments in non-current liabilities							
Borrowings	-	139,597	101,264	69,074	15,000	-	324,935
Financial instruments in current liabilities							
Trade & Other Payables	644,181	-	-	-	-	-	644,181
Amounts due to related parties	13,000	-	-	-	-	-	13,000
Current portion of borrowings	139,598	-	-	-	-	-	139,598
Other current liabilities	290,043	-	-	-	-	-	290,043
Bank overdrafts	93,442	-	-	-	-	-	93,442
	1,180,264	139,597	101,264	69,074	15,000	-	1,505,199

14.3 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 three types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2013 and 2012.
The analyses 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 of foreign operations.

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The following assumptions have been made in calculating the sensitivity analysis:
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 2013 and 2012.

13.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, based on the market condition and outlook of the interest rate, the Group takes mitigating action such as interest rate caps, etc.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Group Effect on profit before tax Rs'000	Company Effect on profit before tax Rs'000
2013			
	+ 150 basis points	8,363	6,968
	- 150 basis points		
2012			
	+ 150 basis points	8,992	5,392
	- 150 basis points		

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as LIBOR, SLBOR, AWPLR.

14.5 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 Company 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 Senior Management, with the use of external consultants' advice. Based on the suggestions made by Group Treasury the Senior Management takes decisions on whether to hold, sell, or make forward bookings of foreign currency.

14.6 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 Company and Its Subsidiary 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 Company may issue new shares, have a rights issue or buy back of shares.

	Group		Company	
	2013	2012	2013	2012
Debt / Equity*	**6%**	8%	**5%**	5%

*Debt/Equity ratio has been computed considering borrowings without bank overdraft.

15 PROPERTY, PLANT AND EQUIPMENT

15.1 Group

As at 31 st March In Rs. '000s	Land and buildings	Buildings on leasehold land & Building improvements	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Returnable containers	Others	Capital work in progress	Total 2013	Total 2012	Total 2011
Cost or valuation											
At the beginning of the year	707,495	342,098	2,554,872	902,150	85,926	675,511	1,867,101	142,456	**7,277,609**	6,488,622	6,286,486
Additions	63,816	150,048	636,815	162,181	-	123,688	263,413	8,643	**1,408,604**	994,341	1,251,848
Disposals	(34,251)	-	(57,280)	(57,786)	(1,710)	(21,553)	(48,138)	(138)	**(220,856)**	(173,761)	(155,017)
Revaluations	333,261	(34,339)	-	-	-	-	-	-	**298,922**	46,321	1,687,500
Transfers to investment property / others	(9,408)	58,078	52,966	19,371	-	-	11,818	(133,057)	**(232)**	(77,914)	(2,582,195)
At the end of the year	1,060,913	515,885	3,187,373	1,025,916	84,216	777,646	2,094,194	17,904	**8,764,047**	7,277,609	6,488,622
Accumulated depreciation and impairment											
At the beginning of the year	(30,489)	(63,825)	(982,256)	(516,312)	(70,573)	(223,867)	(1,318,766)	-	**(3,206,088)**	(2,799,111)	(2,497,046)
Charge for the year	(16,305)	(26,959)	(212,394)	(110,418)	(865)	(82,136)	(177,303)	-	**(626,380)**	(528,745)	(425,662)
Disposals	34,251	-	31,829	42,871	1,710	4,429	46,381	-	**161,471**	120,859	123,597
Revaluations	42,329	44,779	-	-	-	-	-	-	**87,108**	-	-
Transfers to investment property / others	822	-	-	-	-	-	(822)	-	**-**	909	-
At the end of the year	30,608	(46,005)	(1,162,821)	(583,859)	(69,728)	(301,574)	(1,450,510)	-	**(3,583,889)**	(3,206,088)	(2,799,111)
Carrying value											
As at 31 March 2013	1,091,521	469,880	2,024,552	442,057	14,488	476,072	643,684	17,904	**5,180,158**	-	-
As at 31 March 2012	677,006	278,273	1,572,616	385,838	15,353	451,644	548,335	142,456	**-**	4,071,521	-
As at 1 April 2011	566,867	41,156	1,465,723	617,529	8,640	397,661	478,202	113,733	**-**	-	3,689,511
Company											
Cost or valuation											
At the beginning of the year	707,495	36,154	1,848,588	57,912	85,697	675,511	1,722,227	15,375	**5,148,959**	4,542,155	4,834,313
Additions	63,816	-	537,575	7,303	-	123,688	231,149	-	**963,531**	749,106	750,340
Disposals	-	-	(57,280)	(14,580)	(1,710)	(21,553)	(43,230)	-	**(138,353)**	(110,709)	(147,803)
Revaluations	333,261	(6,752)	-	-	-	-	-	-	**326,509**	46,321	1,687,500
Transfers to investment property / others	(9,408)	-	15,275	-	-	-	9,408	(15,275)	**-**	(77,914)	(2,582,195)
At the end of the year	1,095,164	29,402	2,344,158	50,635	83,987	777,646	1,919,554	100	**6,300,646**	5,148,959	4,542,155
Accumulated depreciation and impairment											
At the beginning of the year	(30,488)	(8,910)	(690,019)	(43,594)	(70,480)	(223,866)	(1,205,863)	-	**(2,273,220)**	(2,029,538)	(1,888,225)
Charge for the year	(13,498)	(2,120)	(134,182)	(4,440)	(808)	(82,136)	(156,559)	-	**(393,743)**	(321,589)	(259,017)
Disposals	-	-	31,829	14,350	1,710	4,429	42,952	-	**95,270**	76,998	117,704
Revaluations	42,329	10,529	-	-	-	-	-	-	**52,858**	-	-
Transfers to investment property / others	822	-	-	-	-	-	(822)	-	-	909	-
At the end of the year	(835)	(501)	(792,372)	(33,684)	(69,578)	(301,573)	(1,320,292)	-	**(2,518,835)**	(2,273,220)	(2,029,538)
Carrying value											
As at 31 March 2013	1,094,329	28,901	1,551,786	16,951	14,409	476,073	599,262	100	**3,781,811**	-	-
As at 31 March 2012	677,007	27,244	1,158,569	14,318	15,217	451,645	516,364	15,375	**-**	2,875,739	-
As at 1 April 2011	566,867	29,598	1,044,843	10,722	8,447	397,661	442,501	11,978	**-**	-	2,512,617

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As at 31st March In Rs'000s	2013	2012	As at 1 April 2011
15.2 Carrying value of total assets			
Group			
At cost	**3,618,757**	3,116,242	3,081,488
At valuation	**1,561,401**	955,279	608,023
	5,180,158	4,071,521	3,689,511
Company			
At cost	**2,658,581**	2,171,488	1,916,152
At valuation	**1,123,230**	704,251	596,465
	3,781,811	2,875,739	2,512,617

15.3 Revaluation of land and buildings

The Group uses the revaluation model of measurement of land and buildings. The Group engaged P B Kalugalagedara & Associates, an independent expert valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 31 March 2013. Details of previous revaluations is as follows:

Property	Method of valuation	Effective date of valuation	Property valuer
Land and buildings of Ceylon Cold Stores PLC. Colombo & Ranala	Open market value method	31 March 2008	P B Kalugalagedara, Chartered Valuation Surveyor
Land and buildings of Ceylon Cold Stores PLC. Inner Harbour Road, Trincomalee*	Open market value method	31 March 2012	P B Kalugalagedara, Chartered Valuation Surveyor

* The freehold property as revalued as at 31 March 2012 by qualified valuers and the surplus arising from the revaluation was transferred to the revaluation reserve and due to the change in the nature of use, the asset was reclassified as investment property.

The carrying amount of revalued buildings of the Group if they were carried at cost less depreciation, would be as follows;

As at 31st March In Rs. '000s	2013	2012	As at 1 April 2011
Cost	**390,749**	323,320	323,320
Accumulated depreciation and impairment	**(126,182)**	(118,060)	(112,747)
Carrying value	**264,567**	205,260	210,573

The carrying amount of revalued buildings on Leasehold Land if they were carried at cost less depreciation, would be as follows;

Cost	**73,527**	73,527	73,527
Accumulated depreciation and impairment	**(57,038)**	(56,258)	(52,721)
Carrying value	**16,489**	17,269	20,806

15.4 Kaduwela Factory land, buildings, Plant and Machinery are pledged on a primary concurrent mortgage for loans obtained from DFCC Bank, details of which are disclosed in Note 29.3.

15.5 Group property, plant and equipment with a cost of Rs. 1,545 million (2012 - Rs.1,387 million) have been fully depreciated and continue to be in use by the Company and its Subsidiary.

15.6 Borrowing cost of Rs. 9.8 million has been capitalised during the year. Capitalised borrowing cost is included under the plant & Machinery. Capitalised borrowing cost based on the actual interest cost of the borrowing of 13.88 percent.

15.7 Useful lives of assets were reviewed during financial year and useful life of the following assets have been changed. Due to change in estimation, an additional credit resulted in the current year in comparison to the depreciation charge based on the previous estimate. This difference will continue to arise in the future periods for these assets.

Asset class	Previous useful life Years	Current useful life Years	Decrease in Depreciation In Rs.'000s
Others			
Freezers & Bottle coolers	6	10	(9,365)
Motor Vehicles	5-8	15	(2,538)

15.8 The Group has constructed buildings on leasehold land. Future minimum lease payments under non cancellable operating leases of Land are as disclosed in Note 41.

As at 31st March In Rs. '000s	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
16 INTANGIBLE ASSETS						
Cost/carrying value						
At the beginning of the year	**205,307**	198,090	144,511	**3,585**	1,085	805
Additions / transfers	**16,599**	7,217	53,590	**11,967**	2,500	291
Disposal		-	(11)	**-**	-	(11)
At the end of the year	**221,906**	205,307	198,090	**15,552**	3,585	1,085
Accumulated amortisation						
At the beginning of the year	**(40,622)**	(29,526)	(29,505)	**(923)**	(826)	(805)
Amortisation	**(12,640)**	(11,096)	(32)	**(679)**	(97)	(32)
Disposal	**-**	-	11	**-**	-	11
Exchange translation difference	**-**	-	-	**-**	-	-
At the end of the year	**(53,262)**	(40,622)	(29,526)	**(1,602)**	(923)	(826)
Carrying value						
As at 31 March 2013	**168,644**	-	-	**13,950**	-	-
As at 31 March 2012	**-**	164,685	-	**-**	2,662	-
As at 1 April 2011	**-**	-	168,564	**-**	-	259
Carrying value of Intangible Assets						
Goodwill*	**115,006**	115,006	115,006	**-**	-	-
Software	**53,638**	49,679	53,558	**13,950**	2,662	259
	168,644	164,685	168,564	**13,950**	2,662	259

*The recoverable amount of cash generating unit relevant to the goodwill is more than the carrying amount as at reporting date. Therefore no impairment loss is recognised in respect of goodwill as at 31st March 2013.

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	Group			Company		
			As at 1 April			As at 1 April
As at 31st March	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
In Rs. '000s						
17 INVESTMENT PROPERTY						
At the beginning of the year	**3,765,855**	2,582,195	-	**3,765,855**	2,582,195	-
Additions / transfers	**-**	77,005	2,582,195	**-**	77,005	2,582,195
Change in fair value during the year	**1,275,069**	1,106,655	-	**1,275,069**	1,106,655	-
Disposals	**-**	-	-	**-**	-	-
At the end of the year	**5,040,924**	3,765,855	2,582,195	**5,040,924**	3,765,855	2,582,195
Freehold property	**5,040,924**	3,765,855	2,582,195	**5,040,924**	3,765,855	2,582,195
	5,040,924	3,765,855	2,582,195	**5,040,924**	3,765,855	2,582,195

17.1 Valuation details of investment property

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 March 2013, has recent experience in valuing properties of similar locations and category. Investment Property was appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The Market value has been used as the fair value.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The significant assumptions used by the valuer in the years 2013, 2012 and 2011 are as follows;

		Market Value Per Perch		
As at 31 March	**Land Extent in Perches**	**2013**	**2012**	**2011**
Property		**Rs'000s**	**Rs'000s**	**Rs'000s**
Freehold property				
Ceylon Cold Stores PLC.* Inner Harbour Road, Trincomalee	169.55	**500**	450	-
Ceylon Cold Stores PLC. Slave Island Complex, Colombo 2	718.18	**6,900**	5,000	3,500

* The freehold property was revalued as at 31 March 2012 by a qualified valuer. The surplus arising from the revaluation was transferred to the revaluation reserve and due to the change in the nature of use, the asset was reclassified as investment property.

17.2 The re-survey done at Slave Island Complex on 21 March 2013 by Registered Licensed Surveyor E A D S Siripala has revealed that the land extent indicated in plan No 955 dated 07 November 1976 is less by 19.59 perches in Lot 1, 2 & 3. The resultant impact has been now adjusted under the investment property valuation as at 31st March 2013.

As at 31st March In Rs.'000s	Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
18 INVESTMENTS IN SUBSIDIARY						
18.1 Carrying value						
Investments in subsidiary - Unquoted						
Jaykay Markerting Services (Pvt) Ltd.	**-**	-	-	**1,022,892**	1,022,892	522,892
	-	-	-	**1,022,892**	1,022,892	522,892
18.2 No. of Ordinary Shares						
At the beginning of the year	**-**	-	-	**202,238**	49,799	49,799
Rights issue*	**-**	-	-	**-**	152,439	-
At the end of the year	**-**	-	-	**202,238**	202,238	49,799

* The Company subscribed in full and invested Rs. 500,000,000/= in the rights issue of the 100% owned Subsidiary Jaykay Marketing Services (Pvt) Ltd. in August 2011.

As at 31st March In Rs.'000s	Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
19 OTHER NON-CURRENT FINANCIAL ASSETS						
19.1 Loans to executives						
At the beginning of the year	**119,332**	97,385	82,647	**88,421**	73,121	61,528
Loans granted	**45,640**	73,630	58,922	**27,174**	53,475	45,973
Transfers	**(4,153)**	(6,217)	(8,747)	**(3,599)**	(7,650)	(8,090)
Recoveries	**(39,148)**	(45,466)	(35,437)	**(24,022)**	(30,525)	(26,290)
At the end of the year	**121,671**	119,332	97,385	**87,974**	88,421	73,121
19.2 Receivable within one year	**36,331**	39,215	29,901	**25,990**	29,138	22,839
19.3 Receivable after one year						
Receivable between one and five years	**85,340**	80,117	67,484	**61,984**	59,283	50,282
	121,671	119,332	97,385	**87,974**	88,421	73,121
20 OTHER NON-CURRENT ASSETS						
Prepaid staff cost	**10,123**	14,857	8,747	**5,810**	12,782	8,089

Prepaid staff cost represent the prepaid portion of the loans granted to the staff.

As at 31st March In Rs.'000s	Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
21 INVENTORIES						
Raw materials	**290,511**	254,702	164,947	**290,511**	254,702	164,947
Work-in-progress	**32,369**	18,039	21,199	**32,369**	18,039	21,199
Finished goods and Retail goods	**1,637,680**	1,412,528	1,311,331	**183,644**	174,389	158,994
Machinery Spares	**111,305**	103,827	86,173	**111,305**	103,827	86,173
Other stocks	**30,058**	26,527	19,176	**5,813**	6,298	5,443
	2,101,923	1,815,623	1,602,826	**623,642**	557,255	436,756

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		Group			Company		
As at 31st March In Rs.'000s		2013	2012	As at 1 April 2011	2013	2012	As at 1 April 2011
22 TRADE AND OTHER RECEIVABLES							
Trade and other receivables		**1,405,208**	1,293,689	1,103,101	**921,138**	809,934	708,449
Loans to executives	Note 19.2	**36,331**	39,215	29,901	**25,990**	29,138	22,839
		1,441,539	1,332,904	1,133,002	**947,128**	839,072	731,288
23 OTHER CURRENT ASSETS							
Prepayments and non cash receivables		**96,897**	323,890	157,846	**53,336**	278,229	118,876
		96,897	323,890	157,846	**53,336**	278,229	118,876
24 SHORT TERM INVESTMENTS							
Government securities (less than 3 months)		**134,053**	15,400	-	**134,053**	15,400	-
Reported for cash flow		**134,053**	15,400	-	**134,053**	15,400	-

		2013		2012		As at 1 April 2011	
As at 31st March In '000s		Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.
25 STATED CAPITAL							
Fully paid ordinary shares	Note 25.1	**95,040**	**918,000**	95,040	918,000	21,600	270,000
Fully paid Preference Shares		**25**	**200**	25	200	25	200
			918,200		918,200		270,200
Fully paid ordinary shares							
At the beginning of the year		**95,040**	**918,000**	21,600	270,000	21,600	270,000
Increase in number of shares due to Rights Issue		**-**	**-**	2,160	648,000	-	-
Increase in number of shares due to share subdivision		**-**	**-**	71,280	-	-	-
At the end of the year		**95,040**	**918,000**	95,040	918,000	21,600	270,000
Fully paid Preference Shares							
At the beginning of the year		**25**	**200**	25	200	25	200
At the end of the year		**25**	**200**	25	200	25	200

	Group			Company		
As at 31st March In Rs.'000s	2013	2012	As at 1 April 2011	2013	2012	As at 1 April 2011
26 CAPITAL RESERVES						
Other capital reserves*	**-**	3,974	3,974	**-**	3,974	3,974
	-	3,974	3,974	**-**	3,974	3,974

*Other Capital Reserve Comprises of Capital Redemption Reserve Funds and Capital Accretion Reserve which have been transferred to the Retained earnings during 2012/2013.

As at 31st March In Rs.'000s		Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
27 REVENUE RESERVES							
General Reserves	27.1	**646,000**	646,000	646,000	**646,000**	646,000	646,000
Retained Earnings	27.2	**4,358,961**	2,819,444	677,800	**4,776,004**	3,024,275	890,950
		5,004,961	3,465,444	1,323,800	**5,422,004**	3,670,275	1,536,950

27.1 General Reserve represents amounts set aside by the Directors for general application.

27.2 Direct cost on share issue has been accounted under retained earnings amounting to Rs. 4.6 million for the Company during 2012 and Rs. 7.4 million for the Group.

As at 31st March In Rs.'000s	Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
28 OTHER COMPONENTS OF EQUITY						
Revaluation reserve on						
Land & Building	**1,518,505**	1,162,483	1,162,483	**1,513,706**	1,162,483	1,162,483
Investment Properties	**1,733,821**	1,733,821	1,687,500	**1,733,821**	1,733,821	1,687,500
	3,252,326	2,896,304	2,849,983	**3,247,527**	2,896,304	2,849,983

28.1 Revaluation reserve consists of the surplus on the revaluation of Land & Buildings net of deferred tax effect and the surplus on the transfer of Land as Investment Property as LKAS 16.

As at 31st March In Rs.'000s	Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
29 BORROWINGS						
Movement						
29.1 Out side						
At the beginning of the year	**359,453**	604,817	283,574	**359,453**	604,817	283,574
Additions	**150,000**	146,000	462,000	**150,000**	146,000	462,000
Repayments	**(44,920)**	(391,364)	(140,757)	**(44,920)**	(391,364)	(140,757)
At the end of the year	**464,533**	359,453	604,817	**464,533**	359,453	604,817
Long term borrowings						
Repayable within one year	**139,598**	115,010	153,048	**139,598**	115,010	153,048
Repayable between one to five years	**324,935**	244,443	219,769	**324,935**	244,443	219,769
Short Term Borrowings	**-**	-	232,000	**-**	-	232,000
	464,533	359,453	604,817	**464,533**	359,453	604,817

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		Group			Company	
			As at 1 April			As at 1 April
As at 31st March In Rs.'000s	2013	2012	2011	2013	2012	2011
29.2 Related Parties						
At the beginning of the year	**240,000**	261,164	222,164	**-**	-	-
Additions	**-**	-	39,000	**-**	-	-
Repayments	**(147,000)**	(21,164)	-	**-**	-	
At the end of the year	**93,000**	240,000	261,164			
Payable to						
Short Term Borrowings						
Ultimate Parent	**-**	147,000	164,164	**-**	-	-
Companies under common control	**93,000**	93,000	97,000	**-**	-	-
	93,000	240,000	261,164	-	-	-
Long term borrowings						
Borrowings under Non Current Liabilities	**324,935**	244,443	219,769	**324,935**	244,443	219,769
Current Portion of the Borrowings	**139,598**	115,010	153,048	**139,598**	115,010	153,048
Short Term Borrowings Note 36	**93,000**	240,000	493,164	**-**	-	232,000
	557,533	599,453	865,981	**464,533**	359,453	604,817

29.3 Long Term Borrowings - Security, Interest and Repayment Terms

In Rs. '000s Company	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Ceylon Cold Stores PLC	DFCC	Project loan Rs. 230 Mn	AWPLR -0.5%, Kaduwela land, building and machinery Min - 9%, Max - 13%	48 monthly instalments commencing August 2011	**134,166**	191,667	230,000
	DFCC	Project loan Rs. 250 Mn	AWDR +2.5%, Kaduwela land, building and machinery	60 equal monthly instalments commencing January 2012	**195,367**	139,682	-
	DFCC	Project loan Rs. 150 Mn	AWPR + 2.25%, Kaduwela land, building and machinery	60 monthly instalments commencing October 2012	**135,000**	-	-
	DFCC	Project Loan Rs. 120 Mn	AWPR + 0.75%, Kaduwela land, building and machinery	Repayment over 48 instalments commencing July 2008	**-**	10,000	40,000
	DFCC	Project loan Rs. 250 Mn	10.5%, Kaduwela land, building and machinery	Repayment over 4 years commencing November 2007	**-**	-	36,458
	NDB	E Friendly loan Rs. 26 Mn	6.5%, Kaduwela land, building and machinery	90 monthly instalments commencing March 2008	**-**	3,169	6,626
	NDB	Project loan Rs. 224 Mn	10.5%, Kaduwela land, building and machinery	60 monthly instalments commencing August 2007	**-**	14,935	59,733
					464,533	359,453	372,817

As at 31st March In Rs.'000s	Group ASSETS 2013	Group ASSETS 2012	Group ASSETS As at 1 April 2011	Group LIABILITIES 2013	Group LIABILITIES 2012	Group LIABILITIES As at 1 April 2011	Company LIABILITIES 2013	Company LIABILITIES 2012	Company LIABILITIES As at 1 April 2011
30 DEFERRED TAX									
At the beginning of the year	**27,050**	42,340	64,299	**81,412**	76,741	96,697	**81,412**	76,741	96,697
Charge and release	**67,218**	(15,290)	(21,959)	**208,752**	4,671	(9,278)	**208,752**	4,671	(9,278)
Charge and release on rate differential	**-**	-	-	**-**	-	(10,678)	**-**	-	(10,678)
Tax effect on revaluation	**(1,865)**	-	-	**28,143**	-	-	**28,143**	-	-
At the end of the year	**92,403**	27,050	42,340	**318,307**	81,412	76,741	**318,307**	81,412	76,741
The closing deferred tax asset and liability balances relate to the following;									
Accelerated depreciation for tax purposes	**(149,101)**	(109,918)	(90,401)	**391,158**	164,802	152,380	**391,158**	164,802	152,380
Employee benefit liability	**18,084**	15,680	13,094	**(72,851)**	(83,390)	(75,639)	**(72,851)**	(83,390)	(75,639)
Losses available for offset against future taxable income	**223,420**	121,288	119,647	**-**	-	-	**-**	-	-
	92,403	27,050	42,340	**318,307**	81,412	76,741	**318,307**	81,412	76,741

The Subsidiary Company Jaykay Marketing Services (Pvt) Ltd. has recognised the Deferred Tax asset amounting to Rs. 223 million (2011- Rs. 121 million) based on the amount of unused tax losses carried forward as at 31st March 2013, to the extent that is probable that future taxable profits will be available against which the unused tax losses can be utilised. The availability of future taxable profits have been computed on the basis of forecast profits of Jaykay Marketing Services (Pvt) Limited for the next five years.

As at 31st March In Rs. '000	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
31 EMPLOYEE BENEFIT LIABILITIES						
At the beginning of the year	**353,820**	316,901	280,319	**297,821**	270,136	239,416
Current service cost	**24,153**	22,115	21,487	**17,181**	16,140	16,414
Transfers	**(579)**	(292)	49	**-**	350	49
Interest cost on benefit obligation	**35,381**	31,691	28,032	**29,782**	27,014	23,942
Payments	**(27,893)**	(19,162)	(12,648)	**(21,366)**	(17,076)	(9,926)
(Gain)/Loss arising from changes in assumptions or due to (over)/under provision in the previous year	**(60,114)**	2,567	(338)	**(63,237)**	1,257	241
At the end of the year	**324,768**	353,820	316,901	**260,181**	297,821	270,136
The expenses are recognised in the Income Statement in the following line items;						
Cost of sales	**(16,895)**	36,808	30,601	**(26,417)**	30,451	26,912
Selling and distribution expenses	**6,395**	9,609	8,728	**6,395**	9,609	4,755
Administrative expenses	**9,920**	9,956	9,852	**3,749**	4,351	8,930
	(580)	56,373	49,181	**(16,273)**	44,411	40,597

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., Independent actuaries on 31st March 2013.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

The principal assumptions used in determining the cost of employee benefits were:

	Group			Company		
	2013	2012	2011	2013	2012	2011
Discount rate	**11%**	10%	10%	**11%**	10%	10%
Future salary increases						
Executives	**10%**	10%	10%	**10%**	10%	10%
Non Executives	**7%**	10%	10%	**7%**	10%	10%
Retirement Age;						
Executive Staff	**55 Years**	55 Years	55 Years	**55 Years**	55 Years	55 Years
Clerical and Labour Staff	**55-60 Years**	55-60 Years	55-60 Years	**55-60 Years**	55-60 Years	55-60 Years
Sales Representatives	**-**	-	-	**55 Years**	55 Years	55 Years

Sensitivity of assumptions used

If a one percentage point change in the assumed discount rate would have the following effects:

As at 31 March 2013 In Rs. '000s	Effect on profit before tax Group	 Company
Effect on the defined benefit obligation		
Increase in one percentage point	(15,877)	(13,483)
Decrease in one percentage point	17,520	14,920

In Rs.'000s	Group			Company		
As at 31st March	2013	2012	As at 1 April 2011	2013	2012	As at 1 April 2011

32 OTHER NON-CURRENT LIABILITIES

	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
Deposits with the Company	**198,412**	212,942	335,680	**198,412**	212,942	335,680
	198,412	212,942	335,680	**198,412**	212,942	335,680
At the beginning of the year	**212,942**	335,680	265,107	**212,942**	335,680	265,107
Net Deposits received during the year	**28,428**	78,986	74,731	**28,428**	78,986	74,731
Reversal during the year*	**(42,958)**	(201,724)	(4,158)	**(42,958)**	(201,724)	(4,158)
	198,412	212,942	335,680	**198,412**	212,942	335,680

*At each Reporting date the Company evaluates the deposits liability based on a mathematical formula that was derived from a detailed analysis carried out during the financial year ended 31st March 2012. Any Difference between the calculated liability and the book balance is transferred to the Income Statement. Further gain or loss arising from the forfeiture of deposits due to termination of distributorship is also transferred to the Income Statement.

33 OTHER DEFERRED LIABILITIES

	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
At the beginning of the year	**7,529**	684	-	**-**	-	-
Addition during the year	**7,701**	6,845	-	**-**	-	-
Transfers	**-**	-	684	**-**	-	-
At the end of the year	**15,230**	7,529	684	**-**	-	-

Operating lease agreements of the Subsidiary have been negotiated at reduced rates during initial period of the agreements. Such reduced rates need to be spread on a straight line basis over the tenure of the lease. Accordingly Rs. 7.7 million (2012 - Rs. 6.8 million) has been charge under Cost of Sales.

In Rs.'000s	Group			Company		
			As at 1 April			As at 1 April
As at 31st March	2013	2012	2011	2013	2012	2011
34 TRADE AND OTHER PAYABLES						
Trade payables	**1,958,469**	1,561,990	1,446,200	**252,986**	323,475	260,046
Accrued Expenses	**307,251**	221,554	179,612	**146,305**	107,444	96,215
Sundry creditors	**512,292**	416,984	380,746	**244,890**	196,306	133,430
	2,778,012	2,200,528	2,006,558	**644,181**	627,225	489,691

	Group						Company		
	RECOVERABLE			LIABILITIES			LIABILITIES		
			As at 1 April			As at 1 April			As at 1 April
In Rs. '000s	2013	2012	2011	2013	2012	2011	2013	2012	2011
35 INCOME TAX									
At the beginning of the year	**123,625**	106,949	95,205	**125,091**	75,120	91,337	**121,955**	74,399	90,140
Charge for the year	**-**	-	-	**174,407**	271,045	247,944	**175,794**	268,163	247,341
Written off during the year	**(29,109)**	(15,400)	(22,680)	**-**	-	-	**-**	-	-
Payments	**10,157**	32,543	35,503	**(243,815)**	(220,607)	(263,082)	**(243,815)**	(220,607)	(263,082)
Transfer	**(1,296)**	(467)	(1,079)	**(1,296)**	(467)	(1,079)	**-**	-	-
At the end of the year	**103,377**	123,625	106,949	**54,387**	125,091	75,120	**53,934**	121,955	74,399

The Tax Recoverable represents Economic Service Charge paid and to be set off against future Income Tax Liabilities of the Subsidiary.

		Group			Company		
				As at 1 April			As at 1 April
As at 31st March		2013	2012	2011	2013	2012	2011
In Rs. '000s							
36 SHORT TERM BORROWINGS							
Loans	Note 29	**93,000**	240,000	493,164	**-**	-	232,000
		93,000	240,000	493,164	**-**	-	232,000
37 OTHER CURRENT LIABILITIES							
Other taxes payables		**324,961**	238,296	207,735	**290,043**	224,204	188,267
		324,961	238,296	207,735	**290,043**	224,204	188,267

38 RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of business with the following related entities.

38.1 Amounts due from related parties

Please refer Note 38.1 A for details						
Parent	**95**	143	-	**95**	-	-
Subsidiaries	**-**	-	-	**61,894**	914	-
Companies under common control	**25,578**	7,239	7,418	**6,408**	5,036	5,255
	25,673	7,382	7,418	**68,397**	5,950	5,255

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st March In Rs.'000s	Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
38.2 Amounts due to related parties						
Please refer Note 38.2 A for details						
Parent	**9,005**	24,861	24,391	**3,196**	8,282	4,352
Subsidiaries	**-**	-	-	**2,679**	2,434	1,907
Companies under common control	**105,445**	107,017	85,436	**7,125**	4,178	4,521
	114,450	131,878	109,827	**13,000**	14,894	10,780

For the year ended 31st March In Rs.'000s	Group 2013	2012	Company 2013	2012
38.3 Transactions with related parties				
Ultimate Parent				
Sale of Goods	**1,328**	1111	**-**	-
(Rendering)/Receiving of Services	**(79,558)**	(68,359)	**(44,281)**	(40,278)
Interest paid	**(17,778)**	(13,484)		
Subsidiaries				
(Purchases) / Sales of goods	**-**	-	**78,847**	2,577
(Receiving) / Rendering of services	**-**	-	**(7,484)**	(9,559)
Investment in ordinary shares	**-**	-	**-**	500,000
Companies under common control				
(Purchases) / Sales of goods	**(475,057)**	(447,062)	**8,507**	12,635
(Receiving) / Rendering of services	**(253,080)**	(240,493)	**(7,598)**	(9,037)
Rental income received	**5,518**	6,040	**5,518**	6,040
Franchise Income	**8,445**	9,769	**8,445**	9,769
Interest paid	**(11,502)**	(8,259)	**-**	-
Post employment benefit plan				
Contributions to the provident fund	**66,286**	72,573	**64,131**	66,551

38.4 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

38.5 Compensation of key management personnel

Key Management Personnel include members of the Board of Directors of the Company, its Subsidiary and the Ultimate Parent Company John Keells Holdings PLC. Other than above there were no other compensation paid to Key Management Personnel from the Company.

For the year ended 31st March In Rs.'000s	Group 2013	2012	Company 2013	2012
Short-term employee benefits	**50,520**	40,594	**34,514**	30,656
	50,520	40,594	**34,514**	30,656

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
38.1 A Amounts Due from Related Parties						
Ultimate Parent						
John Keells Holdings PLC	**268**	143	-	**95**	-	-
Subsidiary						
Jaykay Marketing Services (Pvt) Ltd.	**-**	-	-	**61,894**	914	-
Companies Under Common Control						
Whittall Boustead (Pvt) Ltd.	**12,000**	-	-	**-**	-	-
Keells Food Products PLC	**5,734**	2,747	3,123	**3,804**	2,695	3,123
Nexus Network (Pvt) Ltd.	**3,961**	171	-	**-**	-	-
Union Assurance PLC	**995**	798	894	**6**	-	-
Asian Hotels & Properties PLC	**792**	835	1,117	**775**	493	642
Trans Asia Hotel PLC	**580**	145	9	**580**	145	9
Ceylon Holiday Resorts Ltd.	**330**	147	117	**312**	136	115
Yala Village (Pvt) Ltd.	**214**	45	32	**214**	42	32
Mackinnons Travels (Pvt) Ltd.	**204**	495	571	**204**	495	571
Beruwala Holiday Resorts (Pvt) Ltd.	**159**	-	-	**155**	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	**114**	210	-	**114**	46	-
Trinco Holiday Resorts (Pvt) Ltd.	**86**	46	48	**84**	42	48
Habarana Walk Inn Ltd.	**65**	132	71	**65**	132	69
Habarana Lodge Ltd.	**58**	108	58	**58**	83	25
Mack Air (Pvt) Ltd.	**43**	698	706	**-**	698	672
Kandy Walk Inn Ltd.	**39**	73	117	**37**	29	117
John Keells Office Automation (Pvt) Ltd.	**14**	48	-	**-**	-	-
John Keells PLC	**10**	23	(136)	**-**	-	(168)
Keells Hotel Management Services (Pvt) Ltd.	**7**	7	-	**-**	-	-
Walkers Tours Ltd.	**-**	69	-	**-**	-	-
Trans Asia Hotel PLC	**-**	-	-	**-**	-	-
DHL Keells (Pvt) Ltd.	**-**	442	691	**-**	-	-
	25,673	7,382	7,418	**68,397**	5,950	5,255

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st March In Rs.'000s	Group 2013	 2012	1st April 2011	Company 2013	 2012	1st April 2011
38.2 A Amounts Due to Related Parties						
Ultimate Parent						
John Keells Holdings PLC	**9,005**	24,861	24,391	**3,195**	8,282	4,352
Subsidiary						
Jaykay Marketing Services (Pvt) Ltd.	**-**	-	-	**2,679**	2,434	1,907
Companies Under Common Control						
Keells Food Products PLC	**68,282**	55,188	59,611	**-**	-	-
John Keells Logistics (Pvt) Ltd.	**16,096**	14,820	13,211	**-**	323	-
Nexus Network (Pvt) Ltd.	**14,298**	29,160	4,983	**-**	-	254
Whittall Boustead (Pvt) Ltd.	**2,804**	254	1,000	**-**	-	-
Infomate (Pvt) Ltd.	**1,780**	1,560	1,424	**290**	423	471
John Keells Office Automation (Pvt) Ltd.	**939**	166	590	**92**	148	325
NDO Lanka (Pvt) Ltd.	**620**	2,146	3,077	**620**	2,146	3,077
Keells Hotel Management Services (Pvt) Ltd.	**350**	-	-	**-**	-	-
John Keells PLC	**118**	43	(15)	**118**	7	(15)
DHL Keells (Pvt) Ltd.	**92**	137	207	**92**	137	207
Keells Consultants (pvt) Ltd.	**49**	102	62	**40**	93	54
Trans Asia Hotels PLC	**11**	1,052	243	**-**	-	7
Habarana Walk Inn Ltd.	**4**	13	-	**-**	13	-
Union Assurance PLC	**3**	161	16	**-**	158	16
Asian Hotels & Properties PLC	**-**	75	-	**-**	75	-
Ceylon Holiday Resorts Ltd.	**-**	581	-	**-**	581	-
Habarana Lodge Ltd.	**-**	5	-	**-**	-	-
John Keells Properties (Pvt) Ltd.	**-**	1,057	858	**-**	-	-
Kandy Walk Inn Ltd.	**-**	28	2	**-**	-	-
Mackinnons Travels (Pvt) Ltd.	**-**	395	42	**5,874**	-	-
Trinco Holiday Resorts (Pvt) Ltd.	**-**	10	-	**-**	10	-
Auxicogent International Lanka (Pvt) Ltd.	**-**	-	32	**-**	-	32
Walker Tours Ltd.	**-**	64	-	**-**	64	-
Travel Club (Pvt) Ltd.	**-**	-	67	**-**	-	67
Tranquility (Pvt) Ltd.	**-**	-	26	**-**	-	26
	114,450	131,878	109,827	**13,000**	14,894	10,780

39 CONTINGENT LIABILITIES

There were no Contingent Liabilities as at the Reporting date.

40 CAPITAL AND OTHER COMMITMENTS

There were no Capital Commitments approved and contracted as at the Reporting date (2012 - Rs. 220 million).

As at 31st March In Rs. '000s	Group 2013	Group 2012	Company 2013	Company 2012

41 LEASE COMMITMENTS

Lease rentals due on non-cancellable operating leases;

	Group 2013	Group 2012	Company 2013	Company 2012
Within one year	**43,711**	40,141	**33,023**	29,453
Between one and five years	**167,591**	202,613	**149,451**	173,785
After five years	**86,041**	126,542	**86,041**	126,542
	297,343	369,296	**268,515**	329,780

41.1 Details of Leased Properties

Company	Details of leases	Leased properties
Ceylon Cold Stores PLC	Colombo Divisional Secretariat	Land occupied
	CISCO Speciality Packaging (Pvt) Ltd.	Pet Bottle Plant
Jaykay Makerting Services (Pvt) Ltd.	385, Negambo Road, Wattala	Building
	388, Galle Road, Mount Lavinia	Building

42 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the Reporting period that required adjustment to or disclosure to the Financial Statements other than following:

As required by Section b 56(2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained a certificate from the Auditors, prior to approving a first and final dividend of Rs. 4.00 per share and to be paid on 17th June 2013.

YOUR SHARE IN DETAIL

Ordinary Shareholding

Numbers of Ordinary Shares - 95,040,000

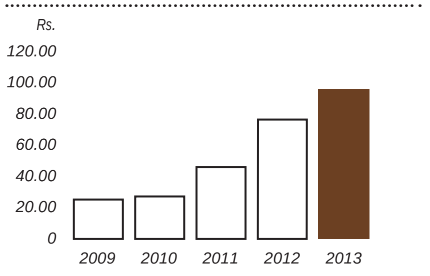
Distribution of Shareholders

	31st March 2013			31st March 2012		
Shareholding Range	**No. of Shareholders**	**No. of Shares Held**	**%**	**No. of Shareholders**	**No. of Shares Held**	**%**
Less than or equal to 1,000	**1,266**	**369,293**	**0.39**	1,393	428,744	0.45
1,001 to 10,000	**549**	**2,068,671**	**2.18**	621	2,290,833	2.41
10,001 to 100,000	**267**	**7,739,285**	**8.14**	271	7,745,375	8.15
100,001 to 1,000,000	**23**	**4,533,271**	**4.77**	21	4,245,568	4.47
Over 1,000,000	**4**	**80,329,480**	**84.52**	4	80,329,480	84.52
	2,109	**95,040,000**	**100.00**	2,310	95,040,000	100.00

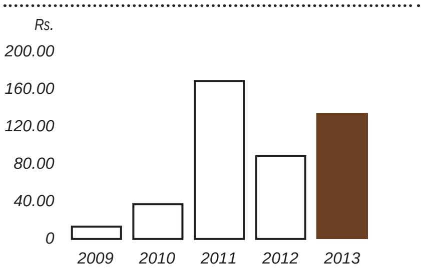
Categories of Shareholders	**No. of Shareholders**	**No. of Shares Held**	**%**	**No. of Shareholders**	**No. of Shares Held**	**%**
John Keells Holdings & Subsidiaries	**3**	**77,321,204**	**81.36**	3	77,321,204	81.36
Others	**2,106**	**17,718,796**	**18.64**	2,307	17,718,796	18.64
Total	**2,109**	**95,040,000**	**100.00**	2,310	95,040,000	100.00
Sri Lankan Residents	**1,978**	**89,329,054**	**93.99**	2,182	89,701,149	94.38
Non-Residents	**131**	**5,710,946**	**6.01**	128	5,338,851	5.62
Total	**2,109**	**95,040,000**	**100.00**	2,310	95,040,000	100.00
John Keells Holdings & Subsidiaries	**3**	**77,321,204**	**81.36**	3	77,321,204	81.36
Directors and Spouses	**7**	**55,052**	**0.06**	7	55,052	0.06
Shareholders holding more than 10%	**-**	**-**	**-**	-	-	
Public	**2,099**	**17,663,744**	**18.58**	2,300	17,663,744	18.58
	2,109	**95,040,000**	**100.00**	2,310	95,040,000	100.00

* Percentage of shares held by the public as at 31st March 2013 is 18.58%

Net Asset per Share - Restated



Market Price - Restated

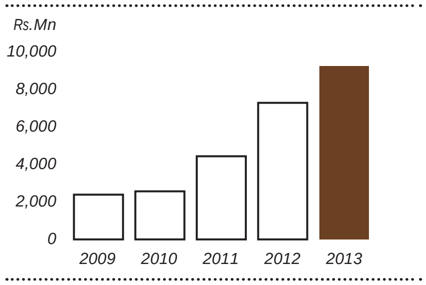


Top 20 Shareholders

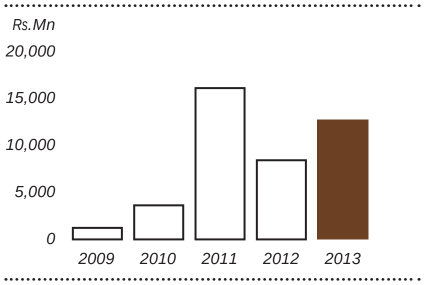
As at 31st March	2013 No. of Shares Held	2013 % of Issued Capital	2012 No. of Shares Held	2012 % of Issued Capital
John Keells Holdings PLC	**67,109,128**	**70.61**	67,109,128	70.61
Whittal Boustead Ltd.	**10,165,392**	**10.70**	10,165,392	10.70
GF Capital Global Ltd.	**1,836,560**	**1.93**	1,836,560	1.93
Employees Provident Fund	**1,218,400**	**1.28**	1,218,400	1.28
A. N. Sethna	**789,696**	**0.83**	-	-
Asha investments Ltd.	**396,704**	**0.42**	396,704	0.42
HSBC International Nominee Ltd. - Deustche Bank	**370,280**	**0.39**	370,280	0.39
Life Insurance Corporation of India	**272,912**	**0.29**	272,912	0.29
Sisira Investors Ltd.	**259,132**	**0.27**	259,132	0.27
E.W. Balasooriya & Co. (Pvt) Ltd.	**202,834**	**0.21**	192,720	0.20
M. Radhakrishnan	**169,256**	**0.18**	169,256	0.18
J.R. Printers	**167,936**	**0.18**	167,936	0.18
Merrill J.Fernando & Sons (Pvt) Ltd.	**150,848**	**0.16**	150,848	0.16
HSBC International Nominee Ltd. - UBS AG ZURICH	**150,000**	**0.16**	-	-
M.A. Lukmanjee	**141,590**	**0.15**	167,088	0.18
Pershing LLC S/A Chambers Street Global Fund	**137,999**	**0.15**	-	-
Northern Trust Company S/A HNC Opportunities Master	**137,999**	**0.15**	-	-
M. V. Theagarajah	**133,548**	**0.14**	133,548	0.14
C.D. Kohombanwickramage	**129,800**	**0.14**	130,600	0.14
H.M. Mount (Decd)	**125,360**	**0.13**	125,360	0.13

As at 31st March	2013		2012	
SHARE PRICES - (Rs.)				
Beginning of the year	**90.00**		750.60	
Highest for year	**144.00**	**(04.03.2013)**	980.00	(10.05.2011)
Lowest for year	**87.00**	**(04.04.2012)**	80.00	(15.02.2012)
As at 31st March	**135.90**		90.00	

Shareholders Funds



Market Capitalisation



DECADE AT A GLANCE

Year ended 31st March	2013 Rs`000	2012 Rs`000	2011 Rs`000	2010 Rs`000	2009 Rs`000	2008 Rs`000	2007 Rs`000	2006 Rs`000	2005 Rs`000	2004 Rs`000
Trading Results										
Gross Revenue	**24,013,833**	21,165,811	17,658,598	15,322,957	13,631,168	10,960,073	9,277,671	7,290,257	5,186,980	3,141,772
Profit from Operating Activities	**1,064,113**	1,511,692	572,776	541,864	460,951	450,948	555,230	370,323	180,529	280,994
Profit before Taxation	**2,260,768**	2,541,860	482,982	420,151	268,345	269,358	469,474	305,315	84,795	(464,477)
Taxation	**(345,051)**	(306,407)	(283,446)	(191,277)	(128,731)	(93,432)	(192,490)	(104,256)	(101,159)	65,083
Profit after Taxation	**1,915,717**	2,235,453	199,536	228,874	139,614	175,926	276,984	201,059	(16,364)	(399,394)
Minority Interest	**-**	-	-	-	-	-	-	311	18,074	-
Retained Earnings Brought forward	**2,819,444**	677,800	565,362	422,902	304,902	198,110	(49,678)	(251,020)	(251,603)	196,805
	4,735,161	2,913,253	764,898	651,776	444,516	374,036	227,306	(49,650)	(249,894)	(202,589)
Transfer to/from Distributable Dividends Reserve	**-**	-	-	-	-	-	22,742	-	-	-
Subsidiary Company	**-**	-	-	-	-	-	-	-	(11,694)	-
Adjustment due to impairment of PPE	**-**	-	-	-	-	-	-	-	10,582	-
Dividends	**(380,174)**	(86,414)	(86,414)	(86,414)	(21,614)	(69,134)	(51,854)	(28)	(14)	(49,014)
Direct cost on issue of share	**-**	(7,395)	-	-	-	-	-	-	-	-
Differed Tax	**-**	-	-	-	-	-	(84)	-	-	-
Transfer	**3,974**	-	-	-	-	-	-	-	-	-
Retained Earnings carried forward	**4,358,961**	2,819,444	678,484	565,362	422,902	304,902	198,110	(49,678)	(251,020)	(251,603)
As at 31 March										
Statement of Financial Position										
Fixed Assets	**5,180,158**	4,071,521	3,689,511	3,848,218	4,070,987	4,073,966	2,800,353	2,096,472	2,005,132	1,934,493
Investment Property	**5,040,924**	3,765,855	2,582,195	-	-	-	-	-	-	-
Investment	**-**	-	-	-	3,100	3,100	3,100	3,100	3,100	3,100
Non Current Assets	**356,510**	286,709	287,134	115,006	115,006	140,196	138,525	115,006	103,165	23,232
	10,577,592	8,124,085	6,558,840	3,963,224	4,189,093	4,217,262	2,941,978	2,214,578	2,111,397	1,960,825
Net Current Assets	**(218,588)**	98,983	(1,240,142)	(653,948)	(719,546)	(682,367)	(350,684)	(272,390)	(280,317)	(277,101)
	10,359,004	8,223,068	5,318,698	3,309,276	3,469,547	3,534,895	2,591,294	1,942,188	1,831,080	1,683,724
Long Term loans	**324,935**	283,443	316,769	200,817	380,300	421,830	373,890	73,583	228,283	-
Deferred Liabilities	**858,582**	655,703	553,288	471,118	594,366	736,184	627,156	488,371	408,353	426,428
Net Assets	**9,175,487**	7,283,922	4,448,641	2,637,341	2,494,881	2,376,881	1,590,248	1,380,234	1,194,444	1,257,296
Represented by										
Stated Capital	**918,200**	918,200	270,200	270,200	270,200	270,200	270,200	270,200	270,200	270,200
Capital Reserves	**3,252,326**	2,900,278	2,853,957	1,155,779	1,155,779	1,155,779	475,938	490,970	490,970	554,406
Revenue Reserve	**646,000**	646,000	646,000	646,000	646,000	646,000	646,000	668,742	684,294	684,294
Retained Profits	**4,358,961**	2,819,444	678,484	565,362	422,902	304,902	198,110	(49,678)	(251,020)	(251,604)
Shareholder's Funds	**9,175,487**	7,283,922	4,448,641	2,637,341	2,494,881	2,376,881	1,590,248	1,380,234	1,194,444	1,257,296

The Statement of Financial Position is categorised in to its key Assets and Liabilities.

The SLFRS/LKAS has been applied for the years 2013 and 2012, prior to 2010 SLAS has been applied.

KEY FIGURES & RATIOS

Ratios & other information - Group

Year ended 31st March	2013*	2012*	2011	2010	2009	2008	2007	2006	2005	2004
Dividend per Share (Rs.) - Paid	**4.00**	4.00	4.00	4.00	1.00	3.20	2.40	0.80	-	2.40
Dividend Payout (%)	**20.00**	16.91	43.31	37.76	15.48	39.30	18.72	8.59	-	(12.98)
Net Asset per Share (Rs.) (Restated)	**96.54**	76.64	46.81	27.75	26.25	25.01	16.73	14.52	12.57	13.23
Market Value per Share (Rs.)	**135.90**	90.00	750.60	172.00	69.50	130.00	152.00	154.00	120.00	117.00
Market Value per Share (Rs.) (Restated)	**135.90**	90.00	171.66	39.34	15.89	29.73	34.76	35.22	27.44	26.76
Debt / Equity Ratio (%)	**16.68**	18.11	46.37	36.98	59.62	68.78	81.77	49.64	66.23	56.48
Interest Cover (No. of Times)	**10.52**	16.53	6.38	4.45	2.39	2.48	6.47	5.70	2.26	5.28
Liquid Ratio (No. of Times)	**0.45**	0.53	0.35	0.35	0.35	0.37	0.51	0.42	0.46	0.56
Earnings per Share (Rs.) (Restated)	**20.16**	23.66	2.11	2.42	1.48	1.86	2.93	2.13	(0.10)	(4.23)
Price Earnings Ratio (No. of Times) (Restated)	**6.74**	3.80	81.25	16.23	10.76	15.97	11.86	16.52	N/A	N/A
Current Ratio (No. of Times)	**0.95**	1.03	0.71	0.79	0.76	0.74	0.83	0.79	0.76	0.72
Return on Total Assets (%)	**14.30**	20.70	2.47	3.56	2.22	3.27	7.07	6.50	(0.30)	(15.22)
Return on Equity (%)	**23.28**	38.11	4.49	8.68	5.73	8.87	17.42	15.64	0.14	(26.96)
Dividend Yield (%) (Restated)	**2.94**	4.44	2.33	10.17	6.29	10.76	6.90	2.27	-	8.97
Earnings Yield (%) (Restated)	**14.83**	26.29	1.23	6.16	9.29	6.26	8.43	6.05	(0.35)	(15.80)

* Restated due to Rights issue in 2012
The SLFRS/LKAS has been applied for the years 2013 and 2012, prior to 2010 SLAS has been applied.

GROUP REAL ESTATE PORTFOLIO

Owning Company & Location	No of Buildings	Buildings in (Sq. Ft)	Freehold Land in Acres	Leasehold Land in Acres
Properties in Colombo				
Ceylon Cold Stores PLC				
Slave Island Complex, Colombo 2	3	26,910	4.49	2.73*
Properties Outside Colombo				
Ceylon Cold Stores PLC				
Kaduwela	15	299,798	27.35	-
Trincomalee	3	23,840	1.14	-
Jaykay Marketing Services (Pvt) Ltd				
385, Negombo Road, Wattala	1	12,820	0	0.3
388, Galle Road, Mount Lavinia	1	6,500	0	0.24

* Includes an extent of 1.64 Acres on Annual Permit.

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.

Contingent Liabilities
A condition or situation existing at the Reporting date due to past events, where the financial effect is not recognised because:
1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

Current Ratio
Current Assets divided by Current Liabilities

Debt/Equity Ratio
Debt as a percentage of Shareholders Funds

Dividends per Share - Paid
Dividends Gross (Ordinary) paid divided by Number of Ordinary Shares issued.

Dividend Cover
Earnings per share divided by dividend per share.

Dividend Payout Ratio
Total Dividend as a percentage of Company profits.

Dividend Yield
Dividend per Shares as a percentage of share price at the end of the period.

Earnings Per Share (EPS)
Consolidated profit after tax and Preference Dividends before Extraordinary items divided by weighted average number of shares in issue during the period.

Earnings Yield
Earnings per Share as a percentage of Market Price per Share end of the period.

Effective Rate of Taxation
Income Tax including Differed tax over Profit before Tax.

Interest Cover
Profit on Operating Activities over Finance Expenses. Change in Fair Value of Investment Property is excluded in profit on operating activities.

Market Capitalization
Number of Shares in issue at the end of period multiplied by the share price at end of period.

Net Assets
Total Assets - Current Liabilities - Long Term Liabilities - Minority interest.

Net Asset per Share
Net Assets divided by number of ordinary shares in issue at the end of the period.

Net Debt
Debt - (Cash + Short Term Deposits)

Net Turnover per Employee
Net Turnover divided by average number of employees.

Price Earnings Ratio
Market Price of share as at year end divided by Earnings per Share.

Quick Ratio
Cash + Short Term Investments + Trade & Other Receivables, divided by Current Liabilities.

Return on Assets
Profit After Tax divided by Average Total Assets.

Return on Equity
Consolidated Profit after Tax and Minority interest as a Percentage of Average Shareholder's Funds.

Return on Capital Employed
Results from operating activities as a % of average of share holders' funds + total debt.

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
Long Term Loans plus short Term Loans and Overdraft.

Total Debt/Total Assets
Total Debt divided by Total Assets.

Total Value Added
The difference between Gross revenue after adjusting for other income minus, expenses and the cost of materials and services from external sources.

NOTICE OF MEETING

Notice is hereby given that the

116th

Annual General Meeting of Ceylon Cold Stores PLC will be held at the Human Resources Auditorium, of John Keells Holdings PLC.No.130, Glennie Street, Colombo 2 on Tuesday, 25th June 2013, at 10.00 a.m. and the business to be brought before the meeting will be:

- To read the Notice convening the meeting
- To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the Year Ended 31 March 2013 with the Report of the Auditors' thereon.
- To re-elect as Director, Mr. Prasanna Sujeewa Jayawardena who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
- To re-elect as Director, Mr. Ajit Damon Gunewardene who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
- To re-appoint Messrs Ernst and Young, Chartered Accountants as Auditors of the Company for the year 2013/14 and to authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board
Ceylon Cold Stores PLC

Keells Consultants (Private) Limited
Secretaries

Colombo
3rd June 2013

Note
- A shareholder unable to attend is entitled to appoint a proxy to attend and vote in his/her place.
- A proxy need not be a member of the Company.
- A shareholder wishing to vote by proxy at the meeting may use the proxy form enclosed
- To be valid, the completed proxy form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.

NOTES

FORM OF PROXY

I/We .... of

.... being

a shareholder/s of Ceylon Cold Stores PLC hereby appoint

.... of

.... or failing him/her

Mr. Susantha Chaminda Ratnayake of Colombo	or failing him
Mr. Ajit Damon Gunewardene of Colombo	or failing him
Mr. James Ronnie Felitus Peiris of Colombo	or failing him
Mr. Jitendra Romesh Gunaratne of Colombo	or failing him
Mr. Prasanna Sujeewa Jayawardena of Colombo	or failing him
Professor Uditha Pilane Liyanage of Colombo	or failing him
Mr. Albert Rasakantha Rasiah of Colombo	

as my/our proxy to vote for me/us on my/our behalf at the 116th Annual General Meeting of the Company to be held at 10.00 a.m. on 25th of June 2013 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
To re-elect as Director, Mr. P. S. Jayawardena, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as Director, Mr. A. D. Gunewardene, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-appoint Auditors' and to authorise the Directors to determine their remuneration.		

Signed this .... day of .... Two Thousand and Thirteen

....

Signature/s of shareholder/s

Note:

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY ARE SET OUT ON THE REVERSE HEREOF.

FORM OF PROXY CONTD.

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Kindly complete the Form of Proxy by filling in legibly your full name and address and that of the Proxy holder. Please sign in the space provided and fill in the date of signature.

2. The instrument appointing a Proxy shall, in the case of an individual, be signed by the appointer or by his Attorney and in the case of a Corporation must be executed under the Common Seal or in such other manner prescribed by its Articles of Association or other Constitutional documents.

3. If the Proxy Form is signed by an Attorney the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.

4. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company at No 1, Justice Akbar Mawatha, Colombo 2 not less than 48 hours before the time appointed for the holding of the meeting.

CORPORATE INFORMATION

Name of 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 Companies Act No.7 of 2007 on new Company No. PQ4

Registered Office of the Company
No.1, Justice Akbar Mawatha
Colombo 2, Sri Lanka.
Tel : +94 11 2318798
Fax : +94 11 2447422
E-mail : info.ccs@keells.com
Web : www.elephanthouse.lk

Kaduwela Factory
Samadaragahawatte, Ranala
Tel: +94 11 4414500
Fax : +94 11 2415435

Customer Call Centre
Tel: +94 11 2303800

Board of Directors
Mr. S. C. Ratnayake (Chairman)
Mr. A. D. Gunewardene
Mr. J. R. F.Peiris
Mr. J. R. Gunaratne
Mr. A. R. Rasiah
Mr. P. S. Jayawardena, PC
Prof. U. P. Liyanage

Audit Commitee
Mr. A. R. Rasiah (Chairman)
Mr. P. S. Jayawardena, PC
Prof. U. P. Liyanage

Secretaries & Registrars
Keells Consultants (Private) Limited
130, Glennie Street
Colombo 02, Sri Lanka

Auditors
Ernst & Young,
Chartered Accountants,
201, De Saram Place.
P.O.Box 101,
Colombo 10
Sri Lanka

Bankers
Commercial Bank of Ceylon PLC
Deutsche Bank Ltd.
Hongkong & Shanghai Banking Corporation Ltd.
National Development Bank PLC
Nations Trust Bank PLC
Standard Chartered Bank
DFCC Bank

Subsidiary Company
Jaykay Marketing Services (Private) Ltd.

Produced by Copyline (Pvt) Ltd   Printed by Printel (Pvt) Ltd

Ceylon Cold Stores PLC (PQ4)
No.1, Justice Akbar Mawatha
Colombo 2, Sri Lanka.