# Into the FUTURE

CEYLON COLD STORES PLC
Annual Report 2015/16

# Into the **future**

**For over one hundred and fifty years, CCS has expanded and refined our unrivalled range of popular soft drinks and ice cream that remains the preferred choice for millions of loyal customers across the island today.**

**Now as we evolve your Company towards the next level of corporate excellence we are proud to deliver this annual report to our stakeholders; one in which our vision and strategies have directed our operations, resulting in the best financial performance we have achieved so far.**

**Your company has always been a leader in the industry sector we serve, and we want to keep it that way; building on our long heritage to remain vibrant and relevant in the present, and excited and confident as we go into the future.**

# Our Vision

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

# Our Values

Innovation : Changing constantly, re-inventing and evolving
Integrity : Doing the right thing always
Excellence : Constantly raising the bar
Caring : Fostering a great place to work
Trust : Building strong relationships based on openness and trust

**Sustainability at CCS**
View our sustainability initiatives online

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We consistently strive to delight our customers by introducing new and exciting flavours, which has allowed us to retain our market leadership position.

Vanilla
Ice Cream
2
VeryBerry
ICE CREAM
Fruit'n'Nut
Ice Cream
2
Elephant House
Strawberry
1
PANI CADJU
JellyIce
Cream

| GRI-G4 |
| --- |
| G4-04 |
| G4-09 |
| G4-17 |

# About Ceylon Cold Stores

Ceylon Cold Stores PLC ("CCS" or "the Company") is the market leader in Sri Lanka's Carbonated Soft Drinks and Frozen Confectionery market, offering 18 flavours of soft drinks and 32 flavours of ice creams to the discerning consumer. A heritage of over 150 years, combined with our passion to delight customers and proactively respond to consumer needs has allowed our brand Elephant House to develop into a much-loved household name in both urban and rural markets alike. The Company's retail arm, Jaykay Marketing Services (Pvt) Ltd ("JMSL") operates the Keells Supermarkets chain, which through its network of 50 branches has redefined modern trade industry standards in customer convenience and service quality. The CCS Group comprises of CCS and its fully owned Subsidiary JMSL.

The CCS Group's value creation is driven by our team of 3,370 high performing employees, who bring our corporate values to life and are at the heart of our product and service delivery. The Company's products have a wide geographical footprint and are distributed to consumers in all districts through a multi-channel network comprising of general trade outlets, modern trade outlets as well as hotels and restaurants.
Our farmer outreach programme has enabled us to empower and uplift the socio economic standards of over 1,950 farmers island-wide through sourcing several key ingredients which are used in our manufacturing process. The Group's retail arm operates four vegetable and fruit collection centres in Tambuttegama, Sooriyaweva, Sigiriya and Jaffna, working closely with 658 farming families.

The Company is listed on the Colombo Stock Exchange with a market capitalisation of Rs. 41 bn as at end-March 2016. The CCS Company contributes approximately 79% to the Group's profits and accounts for 72% of its total assets. The Group is part of John Keells Holdings PLC, Sri Lanka's premier diversified and most valuable listed conglomerate in the country.

18 Flavours of Soft Drinks

32 Flavours of Ice Creams

50 Keells Supermarkets

20% Revenue

16% Revenue

64% Revenue

| GRI-G4 |
|---|
| G4-17 |
| G4-18 |
| G4-28 |
| G4-31 |

# About this Report

This is the Group's second Integrated Annual Report and through it we wish to provide a comprehensive yet balanced assessment of the Group's performance and prospects in relation to material aspects under financial, social, environmental and governance. As the Group's principal method of communication to shareholders and other stakeholders, the Report also endeavours to provide a meaningful discussion on the Group's value creation process, the needs of its key stakeholders and how these translate into material aspects and inform our strategy. The Report has been prepared in accordance with the Integrated Reporting Framework, published by the International Integrated Reporting Council (IIRC).

## REPORTING ENHANCEMENTS DURING THE YEAR

We understand that Integrated Reporting is a journey of continuous improvement and this year we have further improved the quality and readability of our report through,

- Increased conciseness, integrating details of our key lines of business wherever suitable
- Further enhancements to the connectivity of information
- Increased the coverage of material aspects as prescribed by the G4 guidelines of the Global Reporting Initiative (GRI)

## SCOPE AND BOUNDARY

This Report covers the operations of Ceylon Cold Stores PLC and its subsidiary JMSL for the period from 1st of April 2015 to 31st March 2016 which is the Group's annual reporting cycle. The Financial Statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards and external assurance on the same has been provided by Messrs. Ernst and Young, Chartered Accountants. For sustainability reporting, we have adopted the Global Reporting Initiative (GRI) G4- Core criteria. The Report also complies with the requirements of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and 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.

## DETERMINING REPORT CONTENT

Content that is included in the Report has been carefully selected through a systematic process of materiality assessment as elaborated on page 39 of this Report. The material aspects are a combination of those prescribed by GRI and those specific to our industry, stakeholder needs, value creation model and strategy. We have also clearly identified how our material aspects correspond to the disclosures recommended by GRI, as detailed on page 119 to 125 of this Report.

### Feedback

We welcome your comments, suggestions and queries regarding this Report. To provide feedback please contact

Sector Financial Controller
Ceylon Cold Stores PLC
148, Vauxhall Street
Colombo 2

*nelindra.ccs@keells.com*

# Financial Highlights

## Group

### Revenue

23% ↑

Rs. 34.07 billion

### Profit After Tax

88% ↑

Rs. 2.87 billion

### Earnings per Share

88% ↑

Rs. 30.25

### Market Capitalisation

44% ↑

Rs. 40.87 billion

### Shareholders' Funds

16% ↑

Rs. 12.35 billion

### Dividend per Share

64% ↑

Rs. 18.00

GRI-G4
G4-EC1

Group

| Financial Highlights | | 2016 Rs.'000 | 2015 Rs.'000 | Change |
|---|---|---|---|---|
| **Earnings** | | | | |
| Revenue | Rs.'000s | **34,069,211** | 27,699,059 | 23.00% |
| Results from Operating Activities | Rs.'000s | **3,896,053** | 2,160,444 | 80.34% |
| Profit Before Tax | Rs.'000s | **4,020,133** | 2,146,665 | 87.27% |
| Profit After Tax | Rs.'000s | **2,874,873** | 1,525,495 | 88.46% |
| Interest Cover | No.of Times | **333.77** | 35.59 | 298.18 |
| Return on Total Assets | % | **15.83** | 9.51 | 6.32 |
| Return on Capital Employed | % | **31.67** | 18.88 | 12.79 |
| **Financial Position** | | | | |
| Total Assets | Rs.'000s | **19,831,369** | 16,495,111 | 20.23% |
| Total Debt | Rs.'000s | **667,428** | 708,934 | (5.85%) |
| Net Debt / (Cash) | Rs.'000s | **(1,621,185)** | (265,673) | 510.22% |
| Total Shareholders' Funds | Rs.'000s | **12,345,731** | 10,656,336 | 15.85% |
| Net Assets per Share | Rs. | **129.90** | 112.12 | 17.78 |
| Debt / Equity | % | **5.41** | 6.65 | (1.24) |
| Debt / Total Assets | % | **3.37** | 4.30 | (0.93) |
| **Market / Shareholder** | | | | |
| Market Price of Share as at 31st March | Rs. | **430.00** | 298.20 | 131.80 |
| Market Capitalisation | Rs.'000s | **40,867,200** | 28,340,928 | 44.20% |
| Earnings per Share | Rs | **30.25** | 16.05 | 14.20 |
| Price Earnings Ratio (PER) | No.of Times | **14.22** | 18.58 | (4.36) |
| Dividends per Share (Gross) - Paid | Rs. | **18.00** | 11.00 | 7.00 |
| Dividends Payout Ratio | % | **59.51** | 68.53 | (9.02) |
| Dividend Yield | % | **4.19** | 3.69 | 0.50 |
| **Other** | | | | |
| Total Value Added | Rs.'000s | **9,194,671** | 6,935,723 | 32.57% |
| Distributed as below; | | | | |
| Government | Rs.'000s | **2,630,543** | 1,958,674 | 34.30% |
| Employees | Rs.'000s | **3,214,392** | 2,750,106 | 16.88% |
| Paid to Shareholders as Dividend | Rs.'000s | **1,710,734** | 1,045,454 | 63.64% |
| Retained within the Business | Rs.'000s | **1,639,002** | 1,181,489 | 38.72% |

# Non-Financial Highlights

## Group

### Economic Value Added

Rs. 9.19 billion

33% ↑

### Community Infrastructure

Rs. 26 million

117% ↑

### Direct Energy *(GJ/Rs. mn Revenue)*

0.54 GJ

19% ↓

### Indirect Energy *(GJ/Rs. mn Revenue)*

3.68 GJ

10% ↓

### Total Carbon Footprint *(MT/Rs. mn Revenue)*

0.74 MT

10% ↓

### Attrition of New Hires

9%

GRI-G4
G4-SO8

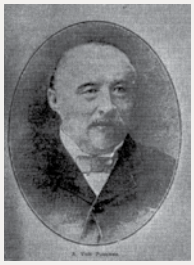
Group

## Non Financial Highlights

| | | | 2016 | 2015 | Change (%) |
|---|---|---|---|---|---|
| ECONOMIC | | EC1 Economic value added (Rs. mn) | **9,195** | 6,936 | 33% |
| | | EC3 Employee benefit liability as of 31st March (Rs. mn) | **394** | 376 | 5% |
| | | EC7 Community services and infrastructure projects (Rs. mn) | **26** | 12 | 117% |
| | | EC9 Proportion of purchases from suppliers within Sri Lanka (%)*** | **22%** | 21% | 1 |
| ENVIRONMENT | INPUTS | EC1 Top 5 Materials consumed (MT) | **17,181** | 15,537 | 11% |
| | | EN3 Direct energy consumption (GJ) | **18,498** | 18,679 | (1%) |
| | | EN4 Direct energy (GJ/Rs. mn of revenue) | **0.54** | 0.67 | (19%) |
| | | Indirect energy consumption (GJ) | **125,473** | 113,233 | 11% |
| | | Indirect energy (GJ/Rs. Mn Revenue) | **3.68** | 4.09 | (10%) |
| | | EN8 Water withdrawal (M3) | **644,957** | 580,555 | 11% |
| | | Water withdrawal (M3/ Rs. mn revenue) | **18.93** | 20.96 | (10%) |
| | OUTPUTS | EN15 Direct greenhouse gas emissions - scope 1 (MT) | **1,359** | 1,373 | (1%) |
| | | EN16 Energy indirect greenhouse gas emissions - scope 2 (MT) | **23,756** | 21,439 | 11% |
| | | Total carbon footprint (MT) | **25,116** | 22,812 | 10% |
| | | Total carbon footprint (MT/Rs.mn of revenue) | **0.74** | 0.82 | (10%) |
| | | EN22 Water discharge (M3) | **396,255** | 354,773 | 12% |
| | | EN23 Waste generated (KG) | **2,783,697** | 2,485,020 | 12% |
| | | Waste recycled/re-used by Group companies and through third party contractors (%) | **27%** | 30% | (3) |
| | COMPLIANCE | EN29 Significant environmental fines | **Nil** | Nil | |
| SOCIAL | LABOUR PRACTICES & DECENT WORK | Total workforce (employees and contractors' staff ) | **3,370** | 3,126 | 8% |
| | | LA1 Attrition of new hires (as a % of total new hires) | **9%** | 18% | (9) |
| | | LA6 Number of occupational injuries and diseases | **85** | 47 | 81% |
| | | Injury rate (number of injuries per 100 employees) | **3** | 2 | 68% |
| | | Number of people educated on serious diseases | **1,725** | 1,087 | 59% |
| | | LA9 Average hours of training per employee | **25** | 34 | (25%) |
| | | LA11 No. of Executive employees receiving performance reviews (%) | **100%** | 100% | |
| | HUMAN RIGHTS | HR5 Incidences of child labour (below age 16) | **Nil** | Nil | |
| | | Incidences of young workers (aged 16-18) | **Nil** | Nil | |
| | | HR6 Incidents of forced labour during the year | **Nil** | Nil | |
| | SOCIETY | SO1 Community engagement (no. of persons impacted) | **2,608** | 3,227 | (20%) |
| | | SO2 Proportion of businesses analysed for risk of corruption (%) | **100%** | 100% | |
| | | SO8 Significant fines for violation of laws/regulations | **Nil** | Nil | |
| | PRODUCT RESPONSIBILITY | PR3 Proportion of labels carrying ingredients used (%) *** | **100%** | 100% | |
| | | Proportion of labels carrying information on disposal (%) *** | **84%** | 81% | 3 |
| | | PR6 Voluntary standards relating to advertising | Policy based on International Chamber of Commerce | | |
| | | PR9 Significant fines for product/service issues (Rs.) | Nil | Nil | |

*** *Indicates the CCS Company only*

# History at a Glance



## > 1866

Founded in 1866 and managed by the illustrious Arthur Von Possner, as the Colombo Ice Company, which imported and used the country's first ice making machine.

Commencing operations in ice business at the time, the Colombo Ice Company began with an initial capital of 1600 pounds a considerable amount at the period with a staff of 22 people and 2 steam engines for productions.

## > 1883

In 1883, introduced Aerated Water with the distinctive "Elephant" trademark on the bottles, which remained a popular household name for the brand.

## > 1894

In 1894, Tom Walker, owner of a competitive company bought Colombo Ice Company and merged two companies under the name New Colombo Ice Company.

## > 1921

Introduction of crown corks to the Aerated Water business.

## > 1925

By 1925, the Company moved on to build cold storage for frozen products of all kinds.

## > 1932

In 1932, Ceylon Creameries Limited was acquired to produce and distribute reconstituted fresh milk and ice cream.

## > 1934

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

Carbonic acid gas plant being installed in 1935 to make Carbon dioxide and dry ice. Ice Cream in bulk form was produced in four gallon buckets.

## > 1935

## > 1941

In 1941, New Colombo Ice Company changed its name to Ceylon Cold Stores Limited.

## > 1950

New soft drinks factory opened.

## > 1965

Re-introduction of Ice Palam.

The Company was quoted in the Colombo Stock Exchange in January 1970.

## > 1970

## > 1991

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

1st Keells Supermarket Outlet opened at Liberty Plaza

In 1998 the Company enhanced its production capacity considerably by installing a modern bottling plant at the Kaduwela factory.

## > 1998

## > 2010

The Brand change on 25th July 2010

Introduction of KIK Cola in December 2010.

New bottle shape Introduced.

## > 2011

## > 2013

Relocation of the Justice Akbar Mawatha offices to Vauxhall Street

## > 2014

Launched Nexus Mobile, Sri Lanka's first and only independent card-less lifestyle loyalty programme

## > 2016

CCS celebrates its 150th Anniversary in 2016

JMSL celebrates its 25th Anniversary in 2016

Reached 50 stores with the opening of Keells Super Pepiliyana

# Year at a Glance

CCS-The limited edition 2 Litre Kiri Pani was made available to the public for the 2nd consecutive year. The rich blend of ice cream and treacle captures the essence of one of the country's most loved desserts

## April

Sirasa Vesak Kalapaya - CCS partnered with the Capital Maharaja Organisation for a 2nd consecutive year for this initiative which promotes peace and harmonious co-existence

A final dividend of Rs. 6/- per share for 2014/15 was paid - Total payout was Rs 570.24 Mn

## May

CCS - Launch of New EGB Campaign

JMSL - Launch of Fresh Campaign focused on the nutritional value of fresh produce (Vegetables, sea food & bakery).

JMSL - Launched www.freshfood.lk,

118th AGM of CCS held.

## June

CCS received 3 Gold awards, 2 Silver awards and 2 Bronze awards at the annual NASCO awards.

## July

A new Sewer Treatment Plant with latest technology was commissioned at the CCS Ranala factory.

Two flavoured water-ice products targeting tweens was launched under a new sub-brand umbrella of "Fruitee Blast"

Keells Super outlet in Wattala was relocated offering an extra-large range of products.

## August

At the NCE Export Awards ceremony the Bronze was received by CCS.

## September

CCS launched a new Isotonic drink - F5

JMSL - Continuation of "Standard of Freshness" Campaign carried out focusing on the attributes of "Taste"

CCS - First Interim dividend payment of Rs 5/- per share for 2015-16 was paid. Total payout was Rs. 475.2 Mn

JKH Chairman's Award - The Consumer Foods sector team that worked as a change catalyst to raise the bar by completing the month end financials on the 1st working day of the next month. This initiative commenced from July 2015.

## October

The CCS Ice Cream category launched 4 new products of 100ml cups (Choc Choc Chip, Cookie Cream, Very Berry, Coffee Grand) and two 500ml premium products (Chocolate & Rum, Strawberry Seduction)

CCS won the Gold Prize for "Best New Entrant" at the SLIM Nielsen Brand Excellence Awards Ceremony for Elephant House Twistee

JMSL - Awarded GOLD at the People Development Award (PDA)

## November

CCS-The Ice Cream category re- launched Winter Slice with a new flavour mix (Chocolate & Vanilla) in new packaging during December Season.

JMSL opened 3 new Keells Super stores at Liberty Plaza, Thimbirigasyaya and Boralesgamuwa.

CCS Carbonated Soft Drinks category launched the all new "Lime Crush" drink

CCS was awarded Gold in the Food and Beverage category as the "Best Annual Report" for 2014/2015, by the Institute of Chartered Accountants of Sri Lanka.

## December

The 50th Keells Super outlet was opened in Kohuwala.

An all night Pirith ceremony along with other multi religious rituals were held to celebrate the 150th anniversary of CCS.

JMSL paid an Interim Dividend of Rs. 1.50 per share with a total payout of Rs 303.4 Mn

## January

CCS-Second Interim dividend of Rs 7/- per share with a total payout of Rs. 665.3 Mn

CCS won Gold in the Retail and Trading category at the ACCA Sustainability Awards 2015.

## February

CCS- Successfully modified a Returnable Glass Filling Line to fill PET bottles to cater to increased demand for PET bottles.

Elephant House Cream Soda won "People's Beverage Brand of The Year" for a 10th consecutive year at the SLIM Nielsen Peoples Awards. The "People's Youth Choice Beverage Brand of the year" was shared between Elephant House Cream Soda and Necto.

## March

Our deep insights into consumer preferences have enabled us to persistently develop household brands, which are relevant to changing consumer dynamics.
Elephant House™

GGB
GGB

GRI-G4
G4-01

# Chairman's Message

Dear Shareholders,
It is with pleasure that I present the Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31st March 2016.

This past year, Ceylon Cold Stores PLC (CCS) and its Subsidiary, Jaykay Marketing Services (Pvt) Ltd (JMSL), continued to deliver a strong growth. Both companies achieved their best performance to date in terms of revenue and profit, surpassing those set in 2014/2015. As a result, the Group experienced a significant growth of 88 per cent in consolidated profit after tax as well as earnings per share.

It is also timely to reflect on a journey that commenced with the establishment of the Colombo Ice Company in 1866 which has transformed over time to become the country's leading manufacturer of soft drinks and ice-creams. The success of the Company is attributed to evolving and aligning to the needs of the consumer while maintaining operational efficiencies, deriving effective cost management mechanisms and forecasting trends in the consumer market. This, I consider is a significant achievement in the 150-year history of the Company where, as a result, we have ensured our products remain relevant to our consumers. Reaching millions of Sri Lankan households, Elephant House has been, and continues to be, an integral part of the Group and its growth plans. Renowned for quality, our product range has expanded

Rs. 2.87 billion

Group Profit After Tax ↑ 88%

"This past year, Ceylon Cold Stores PLC (CCS) and its Subsidiary, Jaykay Marketing Services (Pvt) Ltd (JMSL), continued to deliver a strong growth. Both companies achieved their best performance to date in terms of revenue and profit, surpassing those set in 2014/2015. As a result, the Group experienced a significant growth of 88 per cent in consolidated profit after tax as well as earnings per share."

to 18 flavours of drinks and 32 flavours of ice creams which are available in every town and village in Sri Lanka and even beyond our shores.

Our Subsidiary, JMSL which is celebrating its 25th year since incorporation has established the benchmark for modern retail chains in Sri Lanka and also developed our in-house brand, K-Choice, for general groceries which has gained recognition in a short space of time.

As a Group, we aim to cater to the changing preferences of the Sri Lankan consumers supporting their lifestyles as a partner in the country's socio economic progress.

## OPERATING ENVIRONMENT

Sri Lanka's GDP growth was 4.8 per cent during 2015 with Agricultural sector, Industry sector, Services sector, and Taxes less subsidies accounting for 7.9 per cent, 26.2 per cent, 56.6 per cent and 9.3 per cent of economic activity respectively. Policies implemented by the country's new Government, such as the public sector wage increases, reduction in overall tax rate and downward revision in fuel and energy costs, contributed towards increased purchasing power of Sri Lankan consumers. Relatively low policy interest rates also contributed to high levels of consumption during the year. Exchange rate pressures were offset to an extent by the decline in prices of imported raw materials. Inflation remained benign during the year with the Colombo Consumers' Price Index increasing by 0.9 per cent while food inflation increased by 4.9 per cent. The resultant consumption boom was favourable for top line growth in both business segments with strategies in place to capitalise on this opportunity.

From a supply perspective, declining commodity markets resulted in declining sugar and powdered milk prices during the first half of the year which remained at relatively low levels thereafter, thereby supporting gross margin growth for the manufacturing segment. The weaker exchange rate offset positive gains from declining commodity prices. Strengthened supply chain with farmers enabled the delivery of fresh produce to our supermarkets, whilst maximising the price paid to farmers and contributing to their income stability and socioeconomic progress.

## FINANCIAL PERFORMANCE

The strong brand recognition for Elephant House, together with an increase in demand attributable to increased disposable income, enabled the Beverage and ice-cream categories to achieve volume growths of 26 per cent and 21 per cent respectively against the previous year. This volume growth saw the Company's top line grow by 25 per cent, thus facilitating a 94 per cent growth in profits due to the high operating leverage of the business. A high level of engagement with distributors enabled the Company to meet the increased consumption witnessed during the year with the appropriate product mix and targeted marketing campaigns.

"Converting a Group revenue growth of 23 per cent to a Group profit growth of 88 per cent is testimony to the execution of a holistic strategy which has delivered on growth and operational excellence"

Top line growth of 22 per cent in the Retail business was on account of same store sales growth of 13 per cent coupled with the incremental revenue from expansion of the Keells Super chain by 6 new outlets. It is noteworthy that profits after tax from the Retail business segment increased by 156 per cent to Rs. 905 million as increasingly discerning consumers shifted to modern retail where we enhanced our market share.

As a result of the above mentioned commendable performance, the Group recorded a consolidated profit after tax of Rs. 2.87 billion, reflecting strong growth, efficient production and resource management. Converting a Group revenue growth of 23 per cent to a Group profit growth of 88 per cent is testimony to the execution of a holistic strategy which has delivered on growth and operational excellence. Consequently, value created for

# Chairman's Message

shareholders as measured by earnings per share increased by 88 per cent from Rs.16.05 in 2015 to Rs.30.25 for 2016. Net assets per share also increased from Rs.112.12 in 2015 to Rs.129.90 reflecting the strong performance in this landmark year.

## DIVIDENDS

The Board of Ceylon Cold Stores PLC has approved the payment of a final dividend of Rs 10.00 per share for the year under review resulting in a pay out of Rs. 950 million. This is in addition to the two interim dividends already paid during the year. The 1st interim dividend was paid in October 2015 at Rs. 5.00 per share resulting in a total pay-out of Rs. 475 million while the 2nd interim dividend was paid in February 2016 at Rs. 7.00 per share resulting in a total pay-out of Rs. 665 million.

## A LEVEL PLAYING FIELD

As a leading player in the Food and Beverage sector, CCS supports the consumers' right to informed choice, and, as such, has engaged with the Consumer Affairs Authority and the Ministry of Health on proposed regulation to ensure compliance with the same. Additionally, we have obtained ISO 22000 and ISO 9001 certifications which ensure food safety standards above and beyond the regulatory requirements of the country in keeping with international best practice. We also work with suppliers to ensure they follow voluntary standards and obtain certifications as well. At the same time, we urge the regulators to consider engaging with a wider range of stakeholders, including industry representatives, when formulating regulations to ensure that they are pragmatic.

## A PEOPLES' BUSINESS

The Group has 3,370 employees from all provinces in the country who are supported by a comprehensive talent management programme. All employees are provided training in numerous aspects to facilitate enhanced performance and realisation of their career aspirations. Our goal is to ensure that the next generation of people are trained, empowered and groomed to succeed employees who exit our business by way of retirement or resignation. Remuneration, recognition and benefits are aligned with the business needs taking in to consideration the need to motivate and retain employees whilst balancing the interests of shareholders.

## COMMITTED TO SUSTAINABILITY

Our commitment to ensuring that sustainability strategy is embedded in to our business strategy continues to yield dividends as monitoring key non-financial indicators in this regard has enabled us to optimise our inputs and outputs on natural resources and ensure that legitimate concerns of our key stakeholder groups are addressed through our business processes. This year, we reduced our carbon footprint per rupees million of revenue by 10.5 per cent on top of the 12 per cent achieved in the previous financial year, reflecting the efficacy of continuous improvement processes set in place. Volumes sourced directly from farmers increased by 40 percent during the year, as a result of capacity building programmes implemented and the expansion of existing farmer networks which has contributed to stability and growth in their earnings. High levels of stakeholder engagement, particularly with customers, have enabled us to gain a greater understanding of their needs which has served to increase top line growth.

"We will continue to focus on expansion of the product range and the distributor network to ensure availability of our soft drinks and ice creams to drive top line growth. Additionally, research and development activities will continue to ensure that we capture additional market share through premium offerings"

## WAY FORWARD

Tightening economic conditions and monetary policy is likely to result in a moderation of the increased consumption witnessed during the 2015/16 financial year

GRI-G4
G4-01

which may impact top line growth. However, we will continue to focus on expansion of the product range and the distributor network to ensure availability of our soft drinks and ice creams to drive top line growth. Additionally, research and development activities will continue to ensure that we capture additional market share through premium offerings. Research will also focus on sugar reduction and the increased use of natural flavouring in our products as consumers are becoming more health conscious and seek healthier options. Packaging continues to play an important role and the investment made by CCS in the PET plant is expected to become functional early in the ensuing year. In the Frozen Confectionery segment, production of the impulse range of products is near maximum capacity. As the expansion at the current manufacturing facility in Ranala would not be optimum, the Board of Directors has approved the setting up of a new modern state of the art facility in a new location. The estimated cost for the expansion would be in excess of Rs. 3 billion and the manufacturing facility would take 2 years to commission.

In the retail business, we expect to expand rapidly with our conforming store model to cater to the changing lifestyles of consumers while driving same store sales by continuously creating value for our customers.

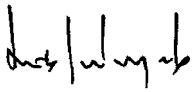
## ACKNOWLEDGEMENTS

I congratulate the teams at CCS and our Subsidiary JMSL for an all-round performance in delivering on stretched targets. The Group results are testimony to your efforts and I count on your continued dedication and commitment in the year just commenced.

Prof. U.P. Liyanage, a luminary in the field of marketing, who served as a Non-Executive Director on the Board since 1st July 2005, passed away in August 2015. The Board joins me in acknowledging his contributions which enriched the deliberations of the Board.

Mr Prasanna Jayawardena comes up for re-election in terms of section 84 of the Articles of Association at the forthcoming Annual General Meeting. Having served the Board for over nine years, he has informed us that he would not be seeking re-election. I would like to place on record our sincere appreciation for the valuable contribution made by him during his tenure and wish him all the best in his future endeavours.

I would like to convey my sincere appreciation to our loyal network of distributors for their continued support in taking our brands to the consumers. We thank our consumers, retailers, suppliers and bankers for their patronage and support. I also wish to thank my colleagues on the Board who have provided strategic direction and wise counsel on matters set before the Board. In closing, I thank the shareholders for their continued support over a journey that has spanned 150 years.



**Susantha Ratnayake**
Chairman
25th May 2016

# FROZEN CONFECTIONERY

"We make our products available to our loyal customers offering 32 flavours and retained our position as the leader in the industry"

↑ 25%
Growth in turnover

30,000
No of retail outlets

# SOFT DRINKS

"Our portfolio of exciting flavours has allowed us to emerge as the market leader in the carbonated soft drinks industry and be the preferred choice among our loyal customer base"

↑ 24%
Growth in turnover

80,000
No of retail outlets

# RETAIL

"Our loyalty programme "Nexus" helped us to deliver great value offers to our loyal customers while giving us valuable insights into the consumer behaviour"

↑ 87%
Growth in value of members' transactions

↑ 73%
Growth in active member base

"Relentless focus on freshness and quality of fresh produce helped us to significantly grow our top line during the year"

↑ 22%
Growth in turnover

↑ 13%
Same store turnover growth

# Board of Directors

**Susantha Ratnayake**
*Non Independent – Non Executive Director , Chairman*

Mr. Ratnayake was appointed to the Board of Ceylon Cold Stores PLC on 01st October 2002.

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

**Ajit Gunewardene**
*Non Independent – Non Executive* Director

Mr. Gunewardene was appointed to the Board of Ceylon Cold Stores PLC on 01st October 2002.

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

**Ronnie Peiris**
*Non Independent – Non Executive Director*

Mr. Peiris was appointed to the Board of Ceylon Cold Stores PLC on 01st June 2003.

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

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

**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.

Jitendra is responsible for the Consumer Foods sector. Prior to his appointment as President, he overlooked the Plantations and Retail sectors. His 36 years of management experience in the Group also covers Leisure and Property. He is a Director of Ceylon Cold Stores PLC and Keells Food Products PLC and is also the President of the Beverage Association of Sri Lanka. He is a member of the Council of the Employers' Federation of Ceylon.

**Rasakantha Rasiah**
*Independent – Non Executive Director*

Mr. Rasakantha Rasiah was appointed to the Board of Ceylon Cold Stores PLC, on 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 FMCG industry. He has wide experience of over 41 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 MTD Walkers PLC, EB Creasy Group of Companies, Hela Clothing Ltd and Chairman of Ceylon Pencil Co Ltd. He is a former Director of Nations Trust Bank PLC. He was a visiting Lecturer in Finance at the Postgraduate Institute of Management (PIM). A keen sportsman, he represented Sri Lanka at table tennis.

**Prasanna Jayawardena, PC**
*Independent - Non Executive Director*

Mr. Jayawardena joined the Board of Ceylon Cold Stores PLC on 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. Jayawardena, who is a President's Counsel, specialises in Commercial Law including Banking Law, Company 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.

**Muhammed Hamza**
*Independent - Non Executive Director*

Mr. Hamza was appointed to the Board of Ceylon Cold Stores PLC on 15th May 2015. He has over 30 years of managerial experience in the FMCG industry. Currently he is the CEO / Director of Ceylon Pencil Company Ltd (ATLAS), the leading school and office stationery Company in Sri Lanka. Prior to this he had a 28 year long career with the Nestle Group, holding Senior Marketing and General Management positions in Sri Lanka, India, Pakistan and Indonesia. From 2008 to 2013, Mr. Hamza was Senior Vice President, responsible for all the Business Units, Marketing Communication and the Sales Division at Nestle Sri Lanka. In this capacity he played a significant role in transforming the Nestle business in Sri Lanka to achieve sustainable and profitable growth. From 2005 to 2008 Mr. Hamza was seconded to Nestle India as the General Manager for the Coffee and Beverages Business across the South Asia region and was a member of the Nestle South Asia Management Committee. During his long career with Nestle Lanka, he has been instrumental in developing strong brands such as Nestomalt and Milo, which are today the flagship brands of Nestle in Sri Lanka. During his overseas stints with the Nestle Group, he has spearheaded the development of award winning campaigns for important global brands like Nescafe and Milo in Indonesia and India. He holds a B.Com degree from the University of Peradeniya- (Sri Lanka), an MBA from The American University in Washington DC and a Post Graduate Diploma in General Management from IMD in Switzerland.

# Management Team

## Ceylon Cold Stores PLC

*(In alphabetical order)*

### BELINDRA WEERASINGHE

*Vice President*

Belindra is the Head of the Frozen Confectionery category of Ceylon Cold Stores PLC since 2014. Belindra has over 17 years of experience in the FMCG sector having previously worked for Ceylon Tobacco Company and Coca Cola Beverages Sri Lanka. During his career he has held key roles in Sales, Marketing and Research. Belindra holds an MBA from Edith Cowan University, Australia.

### BUDDHIKA ABAYAKOON

*Assistant Vice President*

Buddhika is the Head of International Marketing for the Consumer Foods Sector. He has more than 15 years of experience in the Pharmaceutical and FMCG industry and has extensive experience working in international markets in his previous work experiences with Dilmah and Tealia teas. Buddhika is a certified professional marketer of Asia Marketing Federation (AMF) and holder of a post graduate diploma in marketing. He is also a member of the Sri Lanka Institute of Marketing.

### DAMINDA GAMLATH

*Vice President*

Daminda is the Head of the Beverages category of Ceylon Cold Stores PLC. He joined the John Keells Group in 2002 and was the Sector Financial Controller of the IT Sector and then the Consumer Food Sector until he was appointed as the Head of Beverages in 2013. Prior to joining the JKH Group he worked at Hayleys Group. Daminda holds a B.Sc (Eng) degree from the University of Moratuwa, a MBA from the University of Colombo and is an Associate Member of the Chartered Institute of Management Accountants of UK.

### DINUK PEIRIS

*Assistant Vice President*

Dinuk is the Head of Marketing for Frozen Confectionery category of Ceylon Cold Stores PLC. He joined the John Keells Group in 2015 with 18 years of FMCG experience. He started his career in sales with Unilever and then moved on to Ceylon Tobacco Company for 15 years covering roles in Trade Marketing, Research and Brand Marketing. He is a Chartered Marketer and a member and Diplomat of the Chartered Institute of Marketing (UK) and has obtained an MBA from University of Leicester (UK).

### IRSULA RAJAKARUNA

*Assistant Vice President*

Irsula is the Head of Engineering of Ceylon Cold Stores PLC and joined the John Keells Group in 2015. Prior to that he worked at Unilever Sri Lanka for 8 years in the engineering function. He is an Associate Member of the Institute of Engineers Sri Lanka and holds a B.Sc. Engineering degree from University of Moratuwa and M.B.A in Management of Technology from University of Moratuwa.

### JIITENDRA GUNARATNE

*President /Director*

Jitendra is the CEO of Ceylon Cold Stores PLC and Director of Keells Food Products PLC both of which are part of the John Keells Consumer Foods Sector. He is a member of the Group Executive Committee (GEC) of the John Keells Group since 2005. He joined the JKH Group in 1980 and prior to his appointment as the President of the Consumer Foods sector in 2005, he overlooked the Plantation and Retail sectors of the Group. His 35 years of management experience in the Group also cover the Leisure and Property Sectors as well. Jitendra holds a Diploma in Marketing and is the President of the Beverage Association of Sri Lanka.

## NALAKA UMAGILIYA

*Vice President*

Nalaka is the Head of Business Systems for Consumer Food and Retail Sector of the JKH Group. He joined the John Keells Group in 1997 and has 19 years of industry experience in Retail, Consumer Foods, Supply Chain and Loyalty domains. He holds a BSc. in Information Systems and a MSc in Information Technology from University of Keele (UK) and MA in International Relations from University of Colombo. Nalaka is a Member of the British Computer Society (MBCS), Chartered Information Technology Professional (CITP) and a member of the Project Management Institute of USA (MPMI). Apart from the above responsibilities, Nalaka also Heads the Nexus Mobile, the pioneering lifestyle loyalty program in Sri Lanka.

## NELINDRA FERNANDO

Vice President

Nelindra is the Sector Financial Controller of Ceylon Cold Stores PLC and Keells Food Products PLC and joined the John Keells Group in 2013. Prior to that she worked at the MAS Group for over 9 years. Nelindra is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as the Institute of Chartered Accountants of Sri Lanka.

## NISANSALA PARANAYAPA

*Assistant Vice President*

Nisansala is the Head of Employee Relations of Ceylon Cold Stores PLC and Keells Food Products PLC and joined the John Keells Group in 2015. Prior to that she worked at Ceylon Grain Elevators PLC and Ansell Lanka Pvt Limited. She is a life member of the Bar Association of Sri Lanka, Associate member of Institute of Personnel Management (Sri Lanka) and life member of MBA Alumni Association of University of Colombo. She holds a LL.B (Hons) degree from University of Colombo, Attorney at Law from Sri Lanka Law College and MBA in Human Resource Management from University of Colombo.

## SANJEEWA JAYASUNDARA

*Vice President*

Sanjeewa is the Head of Supply Chain Management of Ceylon Cold Stores PLC and joined the John Keells Group in 2010. Prior to that he worked at Unilever Sri Lanka for 14 years in different areas of the Supply Chain. He is an Associate Member of the Institute of Engineers Sri Lanka and holds a B.Sc. Engineering degree from the University of Peradeniya and a M.B.A in Management of Technology from the University of Moratuwa.

## SANJEEWA JAYAWEERA

*Executive Vice President*

Sanjeewa is the Chief Financial Officer of Ceylon Cold Stores PLC, Jaykay Marketing Services (Pvt) Ltd and Keells Food Products PLC, all of which are part of the John Keells Consumer Foods and Retail Industry Group. He joined the John Keells Group in 1993 and was attached to the John Keells Resort Hotels sector of which he was the Sector Financial Controller from 1998 until 2005. Thereafter he was appointed as the CFO of the Consumer Foods and Retail Group. Prior to joining the John Keells Group, Sanjeewa was based in the United Kingdom and worked for several years as an Audit Manager. Since July 2005 he has been a member of the John Keells Group Operating Committee (GOC).

## SATHISH RATNAYAKE

*Assistant Vice President*

Sathish is the Head of Marketing for the Beverage category of Ceylon Cold Stores PLC. He has over 20 years' experience in sales and marketing functions in diverse industry sectors. Prior to the current appointment, he was attached to Unilever Sri Lanka Ltd for 14 years covering sales, marketing, customer & trade marketing functions. He has also worked for Pure Beverages Ltd, Cargills Ceylon PLC and Heineken Asia Pacific. Sathish holds a master's degree from Cardiff Metropolitan University (UK) and Diploma in Marketing from Charted Institute of Marketing (UK).

# Management Team

### SUKITHA SENARATNE
*Assistant Vice President*

Sukitha is the Head of Financial Planning and Analysis for Ceylon Cold Stores PLC and Keells Food Products PLC and joined the John Keells Group in 2016. Prior to that he worked at the MAS Group for over 7 years and Citi Bank for 1 year. Sukitha is an Associate Member of the Chartered Institute of Management Accountants (UK).

### WASANTHA MALWATTEGE
*Assistant Vice President*

Wasantha is the Head of Procurement of Ceylon Cold Stores PLC since 2010, He joined the John Keells Group in 1991 and worked in the Transportation Sector of the John Keells Group in a senior management position. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka.

### WASANTHALAL FERNANDO
*Assistant Vice President*

Wasanthalal joined Ceylon Cold Stores PLC in 1981 and currently holds the position of Head of National Sales of the Beverage category. He is a Member of the Judging panel of the Sri Lanka Institution of Marketing National Sales Congress and is a committee member of Umpire's Committee of Sri Lanka Cricket

## JayKay Marketing Services (Pvt) Ltd
*(In alphabetical Order)*

### ARAVINDA WANNIARACHCHI
*Vice President*

Aravinda is the Sector Financial Controller of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2007. He was attached to the Corporate Finance and Strategy team of the JKH Group prior to joining the Retail Sector. He is an Associate member of Chartered Institute of Management Accountant (UK ) and holds a BBA Marketing (Sp) degree from University of Colombo.

### CHARITHA SUBASINGHE
*Executive Vice President*

Charitha is the Sector Head of the Retail Sector and has been with the John Keells Group since 2003. He was the Sector Financial Controller of the Retail sector, before being appointed as the Chief Executive Officer in 2005. He was attached to Aitken Spence Hotel Management as the Sector Financial Controller before moving to John Keells. He is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as a Diploma Holder of the Chartered Institute of Marketing (UK). He also holds an MBA from the University of Colombo. He was appointed as a member of John Keells Group Operating Committee (GOC) in 2015

### HISHAN SINGAWANSA
*Vice President*

Hishan is the Head of Supply Chain of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2008. He was attached to the category management department before taking over as the Head of supply. He is an Associate member of Chartered institute of Management Accountants (UK), and holds a B.Sc. Engineering (Honours) degree from University of Moratuwa (Sri Lanka).

### KANCHANA BAMUNUARACHCHI
*Assistant Vice President*

Kanchana is the Head of Commercial of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2007. She was attached to the New Business Development & Group Initiatives Department of John Keells Holdings before joining the category management department of JMSL. She holds a B.Sc. (Honours) degree in Management & Information Technology from University of Kelaniya (Sri Lanka) and a MBA from the Edith Cowan University (Australia).

### KRISHAN BALENDRA
*President*

Krishan was the President / Director of Jaykay Marketing Services (Pvt) Ltd during the financial year 2015/16 before taking over the Leisure Industry Group of John Keells and is also responsible for John Keells Stock Brokers (Pvt) Ltd. He also serves as the Chairman of

Nations Trust Bank PLC and is the outgoing Chairman of the Colombo Stock Exchange. He started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence & Co. PLC, Sri Lanka prior to joining JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

## NALAKA UMAGILIYA

*Vice President*

See profile on page 29.

## NILUSH COORAY

*Vice President*

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

## SANJEEWA JAYAWEERA

*Executive Vice President*

See profile on page 29.

## SURESH MUTTIAH

*Vice President*

Suresh is the Head of Human Resources of Jaykay Marketing Services( Pvt) Limited and joined the John Keells Group in 2011. Prior to that he worked at Dialog Axiata PLC for 4 years and was the Manager Performance Management & HR Strategy Operations. He holds a Professional Qualification in Human Resource Management (IPM Sri Lanka), Post Graduate Diploma and MBA from University of Southern Queensland - Australia. Suresh is a member of SHRM – USA and The Association of HR Professionals – Sri Lanka.

KEELLS SUPER
The Standard of Freshness

We have effectively responded to
the increasing sophistication of our
customers through redefining industry
standards in modern trade.

| GRI-G4 |
| --- |
| G4-09 |
| G4-12 |

# Business Model

## Capital Inputs

| | |
| --- | --- |
| Financial Capital | Shareholders' Equity: Rs. 12.3 bn<br>Debt: Rs. 667 mn |
| Manufactured Capital | Manufacturing Plants and Warehouse: Rs. 5.6 bn |
| Human Capital | Employees: 3,370 |
| Social and Relationship Capital | Farmers: 2,508<br>Suppliers: 4,389<br>No of Distributors: 157 |
| Intellectual Capital | Brands, Tacit knowledge and Processes |
| Natural Capital | Top 5 Raw Materials: 17,181 MT<br>Water: 644,957 M3<br>Energy: 143,971 GJ |

## Value Creation Process

### Soft Drinks and Ice Cream

- Procurement
- Manufacturing and Packaging
- Quality Assurance
- Distribution
- Sales and Marketing

### Retail

- Procurement
- Warehousing
- Modern Distribution Centres
- Sales and Marketing

### Value Drivers

- Smart Strategy
- Finance and Planning
- Research and Development
- Information Technology
- Risk Management
- People Management
- Supply Chain
- Legal

| GRI-G4 |
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## Beverages

Glass Bottle

PET Bottle

Cans

## Frozen Confectionery

Bulk Containers

Sticks

Cups

## Retail

Outlets

## Outputs and Impacts

Production Volume:
108.57 mn Litres***

Net Profit: Rs 2.9 bn

Earnings per share: Rs 30.25

Total payments to employees: Rs 3.2 bn

Investment in training and development: Rs 51 mn

Total training hours:
85,533 Hrs

Payments to suppliers: Rs 25.2 bn

Payments to farmers: Rs 796 mn

Investments in community engagement: Rs 26 mn

Volunteer hours: 2,410 hrs

Waste generated: 2.8 mn (KG)

Waste recycled: 0.75 mn (KG)

Treated effluents: 0.4 mn (M3)

Carbon footprint: 25,116 (M3)

## Value Shared and Outcome

SHAREHOLDERS

Generate sustainable earnings growth

EMPLOYEES

Enabling environment with equal opportunities, career development and work-life balance
Provide a safe and conducive working environment
Training and skill development
Remuneration and benefits

SUPPLIERS

Fostering long term relationships, fair and ethical sourcing, training and development
Payments to suppliers

CONSUMERS

Enhance customer experience by offering value, quality, innovation and choice

COMMUNITY & ENVIRONMENT

Empowerment and uplifting living standards of communities
Sustainable business practices
CSR activities

**** Indicates the CCS Company only*

| GRI-G4 |
|---|
| G4-24 |
| G4-25 |
| G4-26 |
| G4-27 |

# Stakeholder Engagement

We understand the crucial importance of nurturing mutually beneficial stakeholder relationships and have embedded multiple engagement mechanisms to our daily business operations. Feedback obtained from these mechanisms form a critical input when formulating strategy and managing risk.

| Stakeholder Group | | Method and Frequency of Engagement | Key Topics and Concerns |
|---|---|---|---|
| SHAREHOLDERS | The Group's principal shareholder is John Keells Holdings PLC and other JKH Group companies which holds a share of 81.36%. The remainder is held by approximately 1,864 public and institutional investors. | ⊙ Annual General Meeting and publication of Annual Report (annually)<br>⊙ Interim financial statements (quarterly)<br>⊙ Announcements to the Colombo Stock Exchange (continuous basis)<br>⊙ Corporate website (continuous basis)<br>⊙ Press releases (continuous basis)<br>⊙ One-to-one engagement (when required) | ⊙ Sustainable growth in financial, social and environmental performance<br>⊙ Return on investment<br>⊙ Adequate risk return balance<br>⊙ Corporate governance and risk management frameworks<br>⊙ Corporate reputation<br>⊙ Transparency and credibility of disclosures |
| BUSINESS PARTNERS | Distributors/Retailers:<br>Our network of over 157 island-wide distributors and 90,000 retailers ensure that consumers have continued access to our products. | ⊙ Computerised Distributor Management System (continuous)<br>⊙ Distributor conventions (annual)<br>⊙ Audits and site visits (periodic)<br>⊙ Trade monitoring surveys on cooler and freezer purity (periodic)<br>⊙ Sales team engagement with retailers on an on-going basis | ⊙ Sustainable growth in earnings<br>⊙ Continuous supply of products<br>⊙ Acceptable credit terms<br>⊙ Ethical business conduct<br>⊙ Recognition and rewards |
| CUSTOMERS | Our products are accessible to consumers in all districts of the country across 90,000 outlets.<br><br>Our modern trade outlets serve customers mainly in Colombo and suburbs and main outstation cities. | ⊙ Customer satisfaction surveys (periodic)<br>⊙ One-to-one engagement (continuous)<br>⊙ Customer hotline (continuous)<br>⊙ Social media interactions (continuous)<br>⊙ Company Website<br>⊙ Marketing communications (continuous) | ⊙ Product quality<br>⊙ Value for money<br>⊙ Compliance with all applicable food safety standards<br>⊙ New product development aligned to customer health, nutritional and lifestyle expectations<br>⊙ Consumer promotions<br>⊙ Loyalty programme<br>⊙ Stores that are designed to deliver best in class shopping experience to customers<br>⊙ Excellence in customer service at retail stores |

| GRI-G4 |
|---|
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| G4-27 |

| Stakeholder Group | | Method and Frequency of Engagement | Key Topics and Concerns |
|---|---|---|---|
| EMPLOYEES | Our team consists of 3,370 employees who facilitate customer experience. | ⊙ Performance appraisals (annual)<br>⊙ Employee satisfaction surveys -Voice of Employee and Great Place to Work (annual)<br>⊙ Work-life balance initiatives<br>⊙ Open door communication policy (continuous)<br>⊙ Staff intranet (continuous)<br>⊙ Training initiatives (continuous) | ⊙ Remuneration and benefits<br>⊙ Job security<br>⊙ Conducive work environment<br>⊙ Skill and knowledge development<br>⊙ Health and Safety<br>⊙ Dignity of labour<br>⊙ Career progression and succession |
| SUPPLIERS | We source from over 4,300 Suppliers (including farmers). | ⊙ Site visits and audits (periodic)<br>⊙ Supplier selection process (as required)<br>⊙ Ongoing dialogue through formal meetings, telephone and electronic communication | ⊙ Equitable<br>⊙ Sustainable demand for products<br>⊙ Capacity building and financial support<br>⊙ Competency development<br>⊙ On time payments<br>⊙ Quality certificates obtained directly from suppliers |
| GOVERNMENT | Our regulators include the Consumer Affairs Authority, Central Environment Authority, Sri Lanka Customs, Department of Inland Revenue etc. | ⊙ On-site surveillance and factory visits (periodic)<br>⊙ Directives and circulars (periodic)<br>⊙ One-to-one engagement (when required)<br>⊙ Press releases (continuous) | ⊙ Compliance with relevant regulations and guidelines<br>⊙ Payment of taxes on a full and timely basis<br>⊙ Contribute towards community development<br>⊙ Environmental preservation |
| COMMUNITY | We engage directly with the communities we operate in | ⊙ Community engagement initiatives (continuous)<br>⊙ Public events (continuous)<br>⊙ Social media interactions and press releases (continuous) | ⊙ Creation of direct and indirect employment opportunities<br>⊙ Livelihood, community development and CSR<br>⊙ Compliance to all relevant food safety and environmental regulations |

GRI-G4
G4-15

# Strategy and Materiality

## STRATEGIC FRAMEWORK

The five pillars of the Group's strategic agenda (as detailed below) calls for co-ordinated thinking across the organisation and ensures that competing interests of stakeholders are managed in a way that ultimately results in the responsible creation of shared value. During the year, we further refined our strategic imperatives and have made commendable progress in each of these objectives, the details of which are discussed in the subsequent sections of this Report.

| GRI-G4 |
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| G4-19 |
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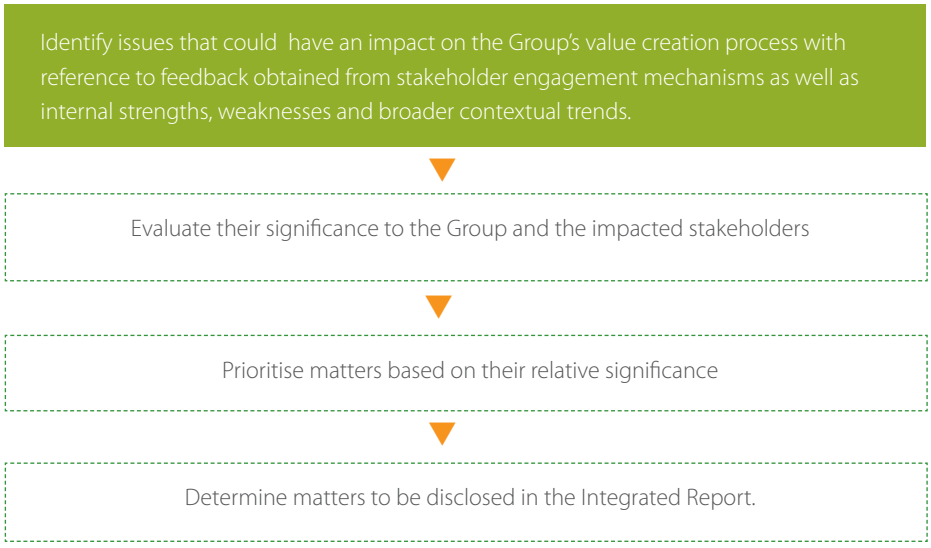
| G4-21 |

## DETERMINING MATERIALITY

The content included in this Report has been selected through a comprehensive and structured process which ensures that the sustainability metrics we track and manage are aligned with our business strategy and the needs of our stakeholders. The Material aspects also reflect changes and trends in our operating environment, risks and opportunities that could affect our value creation process and the Group's overall strategic objectives. We have also clearly disclosed how our material aspects above correspond to the disclosures recommended by GRI. Further, at the start of each section of this Report we clearly identify which material aspects and GRI disclosures are discussed in the relevant section.

## PROCESS FOR DETERMINING MATERIAL ASPECTS



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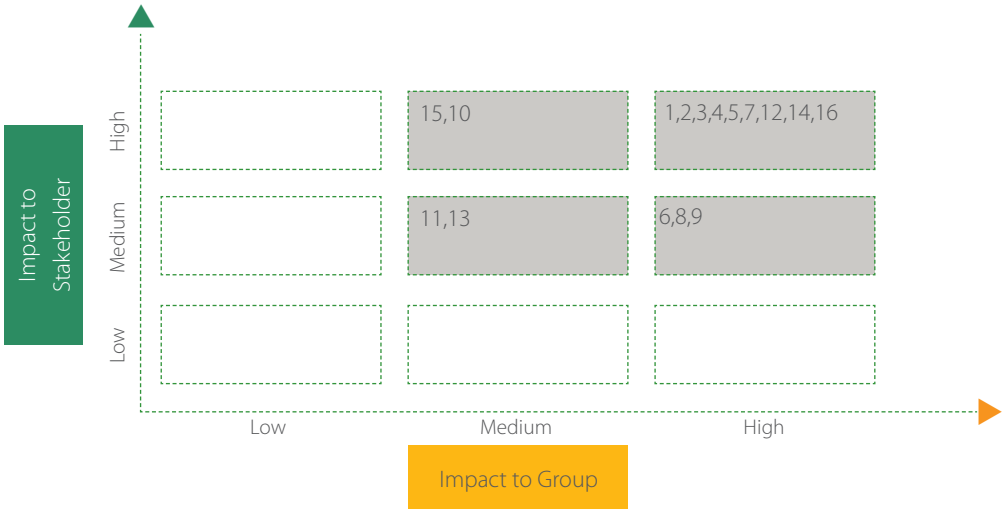
| G4-21 |
| G4-27 |

# Strategy and Materiality

The Material Aspects thus identified are as follows;




| Strategy | Capital | Stakeholder | No | Material Aspect |
|---|---|---|---|---|
| SUSTAINABLE GROWTH | Financial and Manufacturing | Shareholder | 1 | Financial performance |
| | | | 2 | Market leadership |
| FULFILLING OUR CUSTOMER PROMISE | Social and Relationships | Customer | 3 | Providing value for money with quality products |
| | | | 4 | Customer health and safety |
| | | | 5 | Provide best in class customer service in retail |
| | | | 6 | Market reach |
| | | | 7 | Product labelling and market communication compliance |
| | | | 8 | New Product innovation to promote health, nutrition and lifestyle changes |
| VALUE CHAIN DEVELOPMENT | | Distributor | 9 | Efficient distributor network |
| | | Suppliers | 10 | Sustainable and ethical procurement practices |
| SOCIETY | | Community | 11 | Livelihood development through improving community infrastructure |
| | | Government | 12 | Fully comply with rules and regulations and good governance |
| AN EMPOWERED RESOURCE POOL | Human | Employees | 13 | Remunerations and benefits |
| | | | 14 | Employee health and safety |
| PRESERVING THE PLANET | Natural | Environment | 15 | Reduce carbon footprint |
| | | | 16 | Managing inputs and outputs |

# Corporate Governance Report

## 1 EXECUTIVE SUMMARY

Ceylon Cold Stores PLC and its Subsidiary Jaykay Marketing Services (Pvt) Ltd (JMSL) is referred to as the "Group" in this report. Over the years, the Group has focused on developing a strong corporate governance foundation to complement its efforts in creating and maintaining a sustainable business model. The Group's corporate governance philosophy is institutionalised at all levels through a strong set of corporate values, a written Code of Conduct and a proven Performance Management and Values monitoring system. Good governance is ingrained in the Group's culture creating an enabling environment for growth in a structured, predictable and sustainable manner. It is this governance mindset which has enabled the Group to continuously create value for all its stakeholders notwithstanding the external environment and macro conditions.

The Group is fully compliant with all the mandatory provisions of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and Rules of the Securities and Exchange Commission of Sri Lanka (SEC). The Group practices are in line with the Code of Best Practices on Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The systems and procedures are continuously reviewed to provide transparency and accountability.

### 1.1 New Corporate Governance Initiatives at CCS for the Year 2015/2016

- The performance evaluation process of the President/CEO was reviewed and revised in keeping with best practices.
- A Forensic Data Analytic Vendor has been contracted to assist in enhancing the internal controls by providing management, authorised approvers and Internal Auditors early "cautionary triggers", via a user friendly dashboard, using "real-time" data which highlight transaction exceptions and outliers.
- A comprehensive review of the Segregation of Duties (SoD) of all the roles and individuals who execute transactions across an entire business process under Sarbanes-Oxley (SOX) guidelines.

### 1.2 Highlights of the 118th Annual General Meeting held on 18th June 2015

- Mr. A.R Rasiah who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected as a Director of the Company.
- Prof. U. P. Liyanage who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected as a Director of the Company.
- Mr. M. Hamza who retired in terms of Article 91 of the Articles of Association of the Company, was re-elected as a Director of the Company.
- Re-appointment of M/s. Ernst and Young as the External Auditors of the Company.

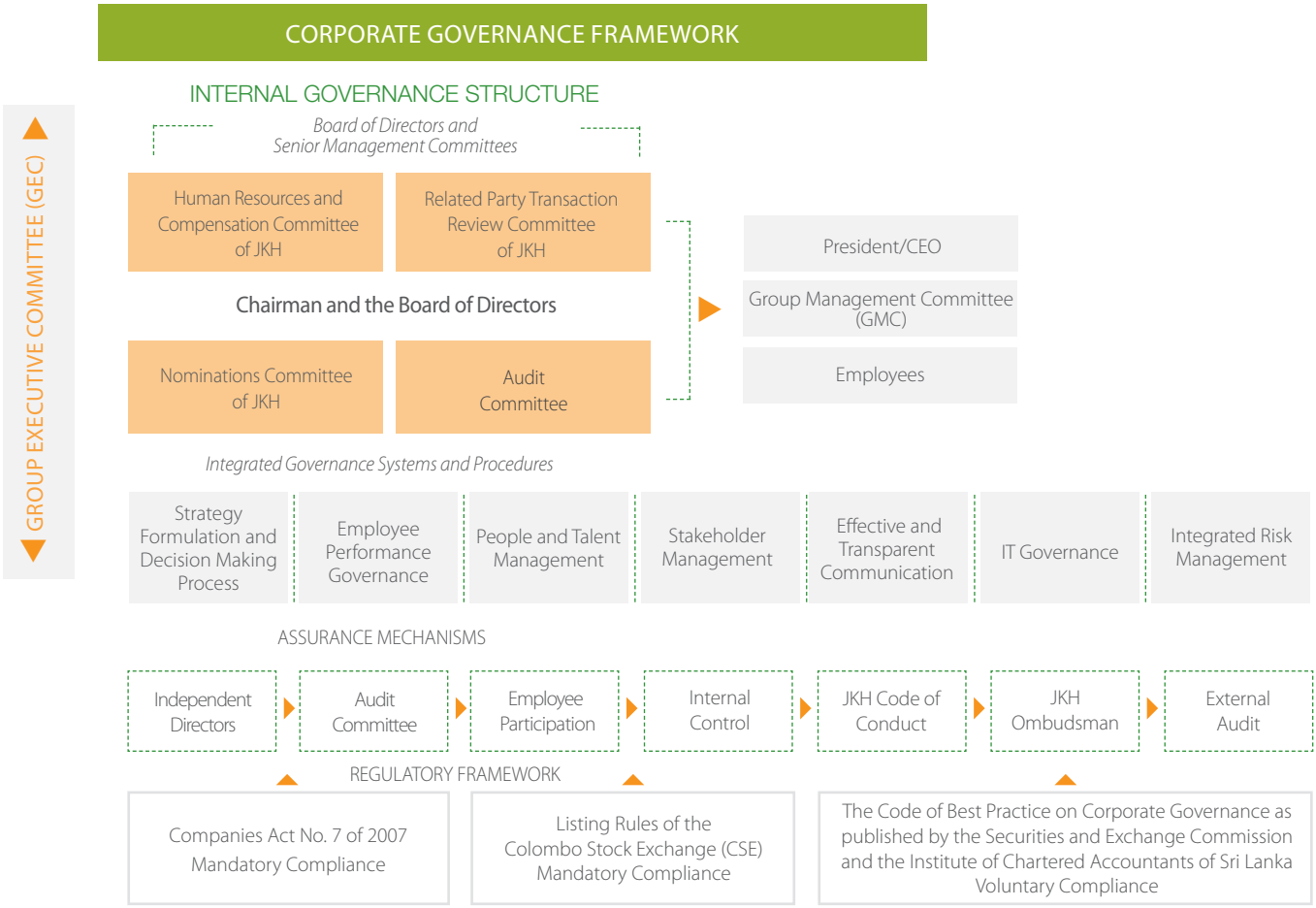
### 1.3 Key Governance Disclosures

| | Reference Section |
|---|---|
| The Governance Framework | Section 2 |
| Board Related Disclosures | Section 3.1 |
| Group Executive Committee (GEC) and Other Management Committees | Section 3.2 |
| Employee Empowerment | Section 3.3 |
| Audit Committee | Section 3.4.1 |
| Human Resource Committee | Section 3.4.2 |
| Nominations Committee | Section 3.4.3 |
| Related Party Transaction Review Committee | Section 3.4.4 |
| Combined Role of Chairman-Chief Operating Officer | Section 3.5 |
| Integrated Governance Systems and Procedures | Section 4 |
| Stakeholder Management | Section 4.3 |
| Assurance Mechanisms | Section 5 |
| Future Outlook | Section 6 |
| Compliance Summary | Section 7 |

# Corporate Governance Report

## 2. CORPORATE GOVERNANCE FRAMEWORK

The Corporate Governance Framework of CCS is guided by its Parent, 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.




### 2.1 Internal Governance Structure

This comprises of the committees which formulate, execute and monitor strategies and initiatives and the integrated governance systems and procedures which support these committees to perform their roles effectively.

### 2.2 Assurance Mechanisms

This comprises of the 'bodies and mechanisms' which are employed in enabling regular review of progress against objectives with a view to highlighting deviations and quick redress and in providing assurance that actual outcomes are in line with expectations.

### 2.3 Regulatory Framework –

From an external perspective, adherence to laws and best practices plays a pivotal role in directing the Group towards conforming with established governance related laws, regulations and best practices. The Group's governance philosophy is practiced in full compliance with the following Acts, rules and regulations;

- Companies Act No. 7 of 2007 – Mandatory compliance
- Listing Rules of the Colombo Stock Exchange (CSE) – Mandatory compliance (Including subsequent revisions up to 25th August 2015)
- The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka – Voluntary compliance

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

## 3. INTERNAL GOVERNANCE STRUCTURE

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

### *1) Board of Directors and Senior Management Committees*

The Internal Governance Structure encompasses the committees which formulate, execute and monitor strategies, initiatives, policies, processes and procedures adopted. The main 4 pillars are

- Board of Directors
- Board Subcommittees
- Senior Management Committees
- Employee Empowerment

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 business units/sub-functions respectively.

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

As depicted in the Governance framework, the above components are strengthened and complemented by internal policies, processes and procedures such as strategy formulation and decision making, human resource governance, integrated risk management, IT governance and stakeholder management and effective communication.

### *2) Integrated Governance Systems and Procedures*

Promote good governance within the wider context of achieving sustainable success which is beyond mere conformance with regulations. Below mechanisms, within the internal governance structure, ensure implementation and execution towards upholding the Group's Corporate Governance framework.

- Strategy formulation and decision making
- Human Resource governance, Employee performance and People and talent management
- Stakeholder management
- Effective & transparent communication
- Integrated risk management
- IT governance

### 3.1 Board Related Disclosures

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.

#### *3.1.1 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 Corporate Governance Framework expects the Board of Directors to:

- Provide direction and guidance to the Company and the Subsidiary in the formulation of its high-level strategies, with emphasis on the medium and long term, in the pursuance of its sustainable development goals
- Reviewing and approving annual plans and longer term business plans
- Tracking actual progress against plans
- Reviewing HR processes with emphasis on top management succession planning

- Reviewing the performance of the Executive Director
- Monitoring systems of governance and compliance
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels
- Reviewing and approving major acquisitions, disposals and capital expenditure
- Adopting voluntarily, best practices where relevant and applicable
- Approving in principle issue of equity / debt securities

### 3.1.2 Board Composition

As at 31st March 2016, 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 18th June 2015, the Board consisted of 8 Directors.

Non-Executive Independent Director, Prof. U.P. Liyanage passed away on 10th August 2015.

The Company policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience in corporate, marketing, legal and financial activities enabling them to discharge their governance duties in an effective manner with independent oversight.

### 3.1.3 Non Executive/Independent Directors and the Board Balance

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.

### 3.1.4 Board Skills

Collectively, the Executive Director (ED) and Non-Executive Directors (NEDs) bring a wealth of diverse experience, exposure and knowledge of domestic and international markets, specialised functional know-how and independence of thought.

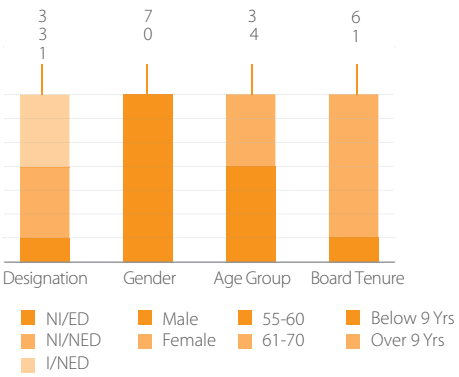
The Group is ever conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in ensuring that the skills representation is in sync with current and future needs.

The following skills and exposure are currently represented on the Board;

- JKH Group exposure, including intimate knowledge/experience of its culture, over long periods of time
- Large multinational and international organisational exposure and experience
- Portfolio management including mergers and acquisitions skills
- Export oriented companies, FMCGs and commercial bank exposure and experience
- Chambers of Commerce and industry associations exposure and experience
- HR Management and Industrial Relations skills
- Accounting, Auditing and Risk Management skills
- Sales and Marketing skills
- Macro Finance, Economics and Treasury skills
- Legal skills
- Regulatory Bodies exposure and experience

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 and the other as the Chairman of the Audit Committee.

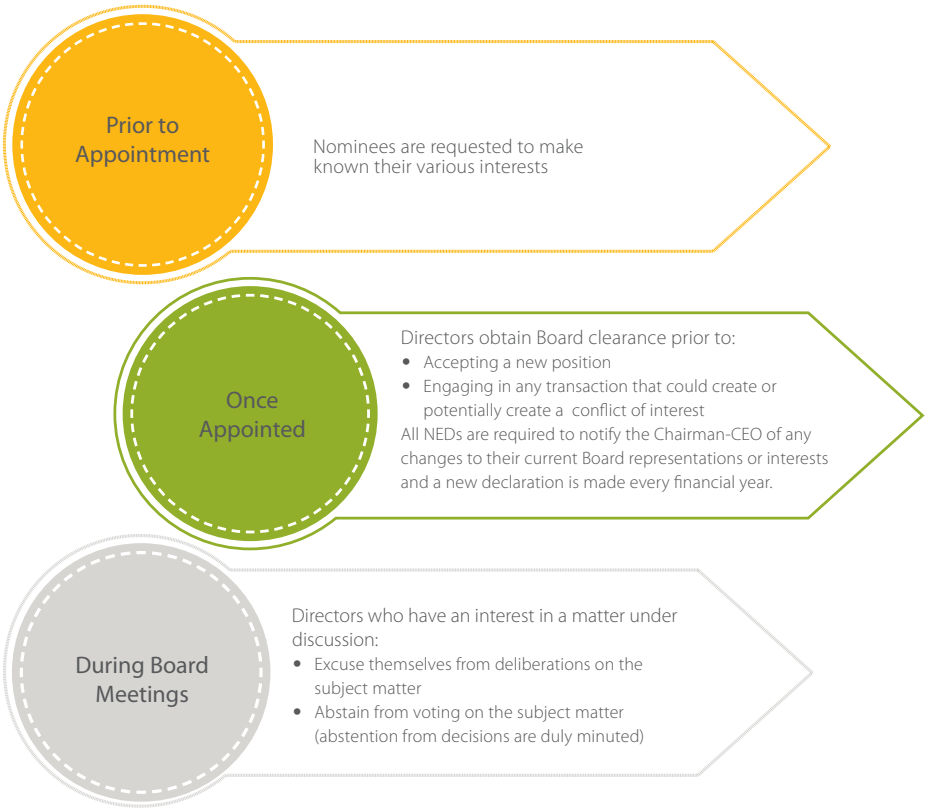
**Board Composition**



### *3.1.5 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;




**The Independence of all Non-Executive Directors are reviewed on the basis of the criteria summarised below;**

| Definition | Status of Conformity |
|---|---|
| Shareholding carrying not less than 10 per cent of voting rights | None of the individual ED or NEIDs shareholding exceeds 10 per cent |
| Director of another Company | None of the NEID are Directors of another Related Party Company as defined |
| Income/non cash benefit equivalent to 20 per cent of the Directors' income | NEID income/cash benefits received from the Company are less than 20 per cent of individual Directors' income |
| Employment at JKH two years immediately preceding appointment as Director | None of the NEID are employed or have been employed at JKH |
| Close family member who is a Director, CEO or a Key Management Personnel | No family member of the ED or NEIDs is a Director or CEO of a Related Party Company |
| Has served on the Board continuously for a period exceeding nine years from the date of the first appointment | Refer note below |

Note : Compliant by assessment and resolution - Mr. P. Jayawardena and Mr. A. Rasiah have completed more than 9 consecutive years as Directors of Ceylon Cold Stores PLC, However the Board consider them independent given their objectives and unbiased approach to matters of the Board.

## SUMMARY OF DIRECTORS INTEREST WITH THE COMPANY

| 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 | - |
| Mr. A. D. Gunewardene | Non Executive | Non Independent | Yes | No | No | - |
| Mr. J. R. F. Peiris | Non Executive | Non Independent | Yes | No | No | - |
| Mr. J. R. Gunaratne | Executive | Non Independent | Yes | Yes | No | - |
| Mr. P. S. Jayawardena | Non Executive | Independent | Yes | No | No | Yes (Note 1) |
| Mr. M. Hamza | Non Executive | Independent | Yes | No | No | - |
| Mr. A. R. Rasiah | Non Executive | Independent | Yes | No | No | Yes (Note 1) |

Note 1 : Compliant by assessment and resolution - Mr. P. Jayawardena and Mr. A. Rasiah have completed more than 9 consecutive years as Directors of Ceylon Cold Stores PLC, However the Board consider them independent given their objectives and unbiased approach to matters of the Board.

### *3.1.6 Board Appointment*

Board appointments follow a structured and formal process within the purview of the Nominations Committee.

Details of new Directors are disclosed to the shareholders at the time of their appointment by way of public announcement as well as in the Annual Report (refer Board Profiles section of the Report). The Directors are required to report any substantial changes in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board.

### *3.1.7 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. Further, all Directors who are over the age of 70 years are re-elected to the Board annually as per Section 210 of the Companies Act No. 7 of 2007.

### 3.1.8 Access to Independent Professional Advice

In order to preserve the independence of the Board, and to strengthen the decision making, the Board seeks independent professional advice when deemed necessary. Accordingly, the Board obtains independent professional advice covering areas such as;

- Impacts on business operations of the current and emerging economic and geo-political shifts.
- Legal, tax and accounting aspects, particularly where independent external advice is deemed necessary in ensuring the integrity of the subject decision.
- Market surveys, architectural and engineering advisory services as necessary for business operations.
- Actuarial valuation of retirement benefits and valuation of property including that of investment property.
- Information technology consultancy services pertaining to enterprise resource planning system, distributor management system or other major projects.
- Specific technical know-how and domain knowledge for identified project feasibilities and evaluations.

Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.

### 3.1.9 Board Meetings

#### 3.1.9.1 Regularity of Meetings

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

Directors are provided with the necessary information well in advance (at least one week prior to the board meeting) in order to facilitate more informed decision making. Board information packs supplied to the Directors include the Board Resolutions and other functional areas such as finance and accounting, tax, human resources, treasury and corporate social responsibility. Dates and attendance of Board of Directors to the quarterly Board meetings is as below.

CEYLON COLD STORES PLC

| Name of Director | Date of Board Meeting and Attendance | | | | |
|---|---|---|---|---|---|
| | 28/04/2015 | 28/07/2015 | 20/10/2015 | 14/01/2016 | 15/02/2016 |
| Mr. S C Ratnayake | Present | Present | Present | Present | Present |
| Mr. A D Gunewardene | Present | Present | Present | Present | Present |
| Mr J R F Peiris | Present | Present | Present | Present | Present |
| Mr. J R Gunaratne | Present | Present | Present | Present | Present |
| Mr. A R Rasiah | Present | Present | Present | Present | Excused |
| Mr. P S Jayawardena PC | Present | Present | Present | Present | Present |
| Mr. M Hamza | Note 1 | Present | Present | Present | Present |
| Prof U P Liyanage | Excused | Excused | Note 2 | Note 2 | Note 2 |

Note 1 Mr. M Hamza was appointed to the Board with effect from 15/05/2015.
Note 2 Prof U P Liyanage passed away on 10/08/2015.

#### 3.1.9.2 Typical Board Agenda

- Confirmation of previous minutes
- Matters arising from the previous minutes
- Board sub-committee reports and other matters exclusive to the board
- Status updates of major projects
- Review of performance – in summary and in detail, including high level commentary on actuals and outlook
- Summation of strategic issues discussed at pre-Board meetings

- Approval of Quarterly and Annual financial statements
- Ratification of capital expenditure, disposal of fixed assets and donations
- Ratification of the circular resolutions
- Ratification of the use of the Company seal and share certificates issued
- New resolutions
- Report on corporate social responsibility
- Any other business; review of risks, sustainability development, HR practices/updates, etc.

#### *3.1.9.3 Timely Supply of Information*

In order to ensure robust discussion, informed deliberation and effective decision making, the Directors are provided 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 reports
- Senior management under a structured arrangement

#### *3.1.9.4 Board Secretary*

There is a Secretary to the Board. In addition to maintaining Board minutes and Board records, the Board Secretary provides support in ensuring that the Board receives timely and accurate information relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

### *3.1.10 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.

### *3.1.11 Board Evaluation*

The Board conducted its annual Board performance appraisal for the financial year 2015/16. This formalised process of individual appraisal enabled each member to self-appraise on an anonymous basis, the performance of the Board under the areas of;

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

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

### *3.1.12 Director Remuneration*

#### *3.1.12.1 Executive Director Remuneration*

The remuneration of the Executive Director (President-CEO) is determined as per the remuneration principles of the JKH Group. At the Director Level, the benchmark weightage between individual and organisational performance in establishing compensation is 20:80 reflecting the direct relationship between Executive Director Remuneration and shareholder value creation.

The remuneration of the Executive Director has a significant element which is variable. This variability is linked to the peer adjusted consolidated Group bottom line and expected returns on shareholder funds. The fixed to variable ratio is approximately 1:1, when the performance at both individual and organisational levels well exceed expectations.

The Executive Director, like any other eligible employee is eligible to receive Employee Share Options (ESOP) of John Keells Holdings PLC based on actual performance. Accordingly, the number of options so awarded is recommended to the Board by

the Human Resources & Compensation Committee of JKH. Such options are awarded at the volume weighted average share price taking into consideration all transactions of John Keells Holding PLC during the 30 market days immediately preceding the award date. As prescribed by the Sri Lanka Accounting Standards (SLFRS / LKAS) all ESOPs are charged to the income statements of the employing companies of the respective employees with effect from 01st July 2014 being the date of the first award after introduction of the accounting standard.

Executive Director does not get involved in influencing or determining his own compensation package. For the purposes of this Report, the terms 'compensation' and 'remuneration' have been used in reference to cash and non-cash benefits received in consideration of employment (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund contributions), unless otherwise qualified. The 'Cash' compensation element of remuneration comprises of salary, pension contributions, short term incentive plans and other non-share based benefits.

Executive Director Remuneration is reviewed periodically against Market Comparators.

#### *3.1.12.2 Non-Executive Director Remuneration*

Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable companies and is adjusted where necessary in keeping with the Group complexity. The fees received by NEDs are determined by the Board and reviewed annually. NEDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group's share option plans. Non-Executive fees are not subject to time spent or defined by a maximum/minimum number of hours committed to the Group per annum, and hence are not subject to additional/lower fees for additional/lesser time devoted.

#### *3.1.12.3 Compensation for Early Termination*

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

(1) Executive Director; as per employment contract like any other employee.

(2) NEDs; Director Fees payable, if any, in terms of contract.

### *3.1.13 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.

### *3.1.14 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 or 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 is supplemented by a detailed 'Management Discussion and Analysis' which explains to shareholders the strategic, operational, investment and risk related aspects of the Company and

the Subsidiary that have translated into the reported financial performance and are likely to influence future results.

### *3.1.15 Time Spent by Non-Executive Directors and Support Given*

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 five occasions during the Year and the Chairman and all Directors attended all meetings unless they had excused themselves from the meeting.

The Board is satisfied that the Chairman and the Non-Executive Directors committed sufficient time during the year to fulfil their duties.

### *3.1.16 Board Induction and Training*

In instances where Non-Executive Directors are newly appointed to the Board, they are apprised of the:
Values and culture, operations of the company 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 and 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.

## 3.2 Group Executive Committee (GEC) of the Parent Company and Other Management Committees

### *3.2.1 Group Executive Committee (GEC)*

The Group Executive Committee (GEC) of the Parent Company, John Keells Holdings PLC (JKH) is the Committee, under the leadership of the Chairman-CEO, that is primarily responsible for ensuring that the strategies and policies adopted by the Board are converted into immediate, short-term, medium-term and long-term action plans and that there exist mechanisms for tracking actual progress against plans, goals and targets.

Policies that effect 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.

#### *3.2.1.1 Composition*

As at 31 March 2016, the 10 member GEC consisted of the Chairman-CEO, the Deputy Chairman, and the Group Finance Director of JKH and the Presidents of each business/ function of JKH.

#### *3.2..1.2 Key Responsibilities*

- Approving the Industry Group short, medium and long term strategies and annual plans and monitoring the actual business performance against pre-set objectives and key performance indicators on a quarterly basis.
- Regularly reviewing the portfolio of businesses, and the supporting functions, in terms of current performance, future prospects and synergy.
- Recommending to the Board new business opportunities.
- Assisting the Chairman-CEO in succession planning and appointment of Presidents, Sector Heads, Functional Heads and other Senior Managers.
- Career management of senior executives (Assistant Vice President and above).
- Regularly reviewing the HR practices, including the compensation philosophy, of the Group through surveys and other internally generated indicators.

#### *3.2.1.3 Enablers of the JKH Operating Model*

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the JKH Group. Towards this end, GEC members, particularly the Presidents, not only play a mentoring role, but are totally accountable 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.

### 3.2.2 Group Management Committee (GMC)

The GMC's 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.

#### 3.2.2.1 Key Objective

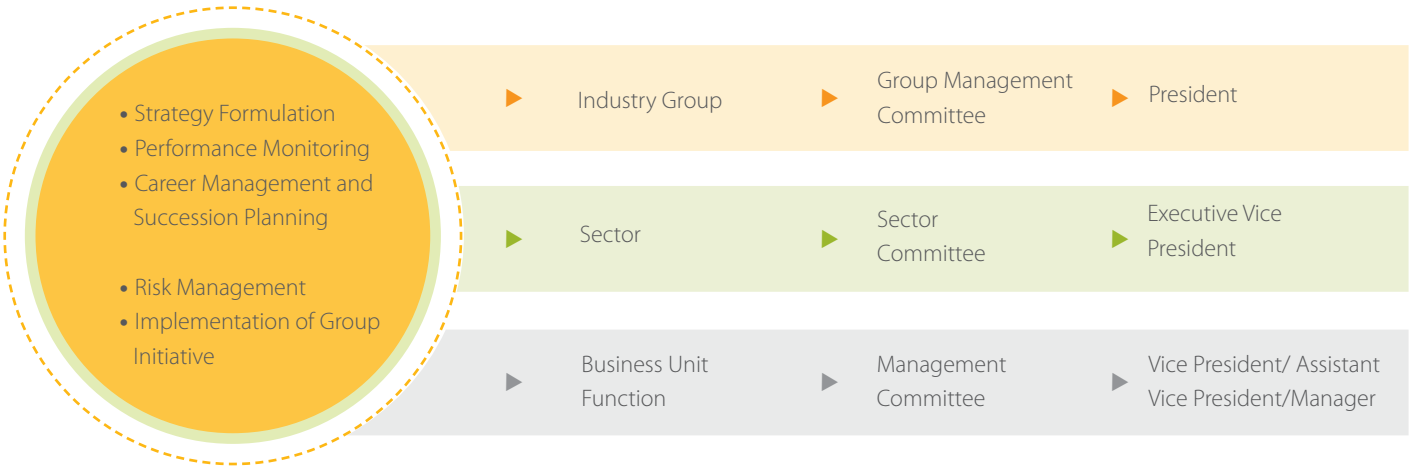
The underlying intention of the GMC is to encourage the respective business units to take responsibility and accountability to the lowest possible level, via suitably structured committees and teams in a management by objectives setting.

#### 3.2.2.2 Scope

The agenda of the GMC is carefully structured to avoid duplication of effort and ensures 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, risk management, implement the strategies and policies determined by the Board, the use of IT as a tool of competitive advantage, new business development, continuous process improvements , management of human resource and managing through delegation and empowerment, the business affairs of the respective sectors.

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



| GRI-G4 |
|---|
| G4-HR5 |
| G4-HR6 |

# Corporate Governance Report

## 3.3 Employee Empowerment

The Group considers its employees as it's greatest asset and embraces them at various levels within its Internal Governance Structure. In recognition of the same, policies, processes and systems are in place to ensure effective recruitment, development and retention as the Group is committed to hiring, developing and promoting individuals who possess the required competencies. With that view, the Group continued with, and further strengthened, the following practices.

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

Moreover, the Group provides a safe, secure and conducive environment for its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race or religion, and promotes workplaces which are free from physical, verbal or sexual harassment. Additionally, the Group strives to incorporate these practices, where relevant, in the supply chain contracts entered into by the Group.

## 3.4 Board Sub Committees of the Parent Company (JKH)

### *3.4.1 Audit Committee of the Company*

| | |
|---|---|
| Composition | All members to be exclusively Non-Executive, Independent Directors with at least one member having significant, recent and relevant financial management and accounting experience and a professional accounting qualification.<br>The President-CEO and the Chief Financial Officer and the Sector Financial Controller are permanent invitees for all Committee meetings. |
| Mandate | Monitor and supervise management's financial reporting process in ensuring;<br>• Accurate and timely disclosure<br>• Transparency, integrity and quality of financial reporting |
| Scope | I Confirm and assure:<br>• Independence of External Auditor<br>• Objectivity of Internal Auditor<br>II Review with independent Auditors the adequacy of internal controls and quality of financial reporting<br>III Regular review meetings with management, internal Auditor and External Auditors in seeking assurance on various matters |

The Audit Committee had 5 meetings during the year and attendance of the Audit Committee members are indicated in the Audit Committee Report on page 135.

### *3.4.2 Human Resources and Compensation Committee of the Parent Company 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 the Subsidiary conforms to the requirements of the Listing Rules of the Colombo Stock Exchange

The Human resources and compensation Committee of the Parent Company consists of following five Non Executive Independent Directors

1) E F G Amerasinghe – Chairman
2) I Coomaraswamy
3) A N Fonseka
4) M A Omar
5) D A Cabraal

| | |
|---|---|
| Composition | The Chairperson must be a Non-Executive Director. Committee should comprise exclusively of Non-Executive Directors, a majority of whom shall be independent.<br><br>The Chairman and JKH Group Finance Director are present at all Committee meetings unless the Chairman or Executive Director remuneration is under discussion respectively. The President, Human Resources and Legal is also present at all meetings. |
| Mandate | Determine the quantum of compensation (including stock options) for Chairman and Executive Directors, conduct performance evaluation of Chairman, review performance evaluation of the other Executive Directors and establish a Group Remuneration Policy |
| Scope | I Determine and agree with the Board a framework for remuneration of the Chairman and Executive Directors<br>II Consider targets, and benchmark principles, for any performance related pay schemes<br>III Within terms of agreed framework, determine total remuneration package of each Executive Director, keeping in view;<br>• Performance<br>• Industry trends<br>• Past remuneration<br>IV Succession planning of Key Management Personnel<br>V Determining compensation of Non-Executive Directors will not be under the scope of this Committee |

### *3.4.3 Nominations Committee of the Parent Company*

The nomination committee of the Parent Company consist of following 6 members

1) T Das – Chairman
2) E F G Amerasinghe
3) D A Cabraal
4) M A Omar
5) M P Perera (Ms.)
6) S C Ratnayake

| | |
|---|---|
| Composition | The Chairperson must be a Non-Executive Director. The Chief Executive Officer should be a member. |
| Mandate | Define and establish nomination process for NEDs, lead the process of board appointments and make recommendations to the Board on the appointment of Non-Executive Directors |
| Scope | a) Assess skills required on the Board given the need of the businesses<br>b) From time to time assess the extent to which required skills are represented on Board<br>c) Prepare a clear description of the role and capabilities required for a particular appointment<br>d) Identify and recommend suitable candidates for appointments to the board.<br>e) Ensure, on appointment to Board, NEDs receive a formal letter of appointment specifying clearly<br>f) Expectation in terms of time commitment<br>g) Involvement outside of the formal board meetings<br>h) Participation in committees<br>The appointment of Chairperson and EDs is a collective decision of Board |

### *3.4.4 Related Party Transaction Review Committee of the Parent Company*

The committee consist of 5 members as follows -

1) A N Fonseka – Chairman
2) E F G Amerasinghe
3) D A Cabraal
4) M P Perera (Ms)
5) S C Ratnayake

The Board of the Parent Company established a Related Party Transaction Review Committee with effect from 01 April 2014, to review all the related party transactions of the listed Companies within the JKH Group. This move also complies with the early adoption of the Code of Best Practice on Related Party Transactions issued by the SEC. On the basis that the Parent company is also a listed company, the SEC has permitted the Related Party Transactions Review Committee of the Parent Company, to represent the listed Companies in the JKH Group of which, Ceylon Cold Stores PLC is a member.

| | |
|---|---|
| Composition | The Chairperson must be a Non-Executive Director. Must include at least one Executive Director. |
| Mandate | To ensure on behalf of the Board, that all Related Party Transactions of John Keells Holdings PLC and its Listed Subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka. |
| Scope | a) Develop, and recommend for adoption by the Board of Directors of John Keells Holdings PLC and its Listed subsidiaries, a Related Party Transaction Policy which is consistent with the Operating Model and the Delegated Decision Rights of the JKH Group.<br>b) Update the Board of Directors the related party transaction of each of the listed companies of the JKH Group on a quarterly basis. |

## 3.5 Role of Chairman of the Board and Separation of Chairman and President / CEO Roles

The Chairman is a Non-Executive Non Independent Director. The Chairman conducts Board Meetings ensuring effective participation of all Directors. The 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.

In accordance with the best practices 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.

### *3.5.1 Direct Discussions with the Non-Executive Directors*

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.

### *3.5.2 CEO Appraisal*

The Chairman and the Non-Executive Non Independent Directors appraise 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.

## 4. INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

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

i. Strategy formulation and decision making
ii. Employee Performance governance
iii. People and talent management
iv. Stakeholder management
v. Effective and transparent communication
vi. IT governance
vii. Integrated risk management

## 4.1 Strategy Formulation and Decision Making

### *4.1.1. Project Approval Process*

Projects undertaken follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility only, but encompasses a wider scope of work covering risk management, sustainable development and HR considerations as well as social and environmental impacts will also be considered in ensuring the sustainability of the business and the communities impacted by it.

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

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

### The Aforementioned Project appraisal Framework Flow is Illustrated Below:

## 4.2 Employee Performance Governance

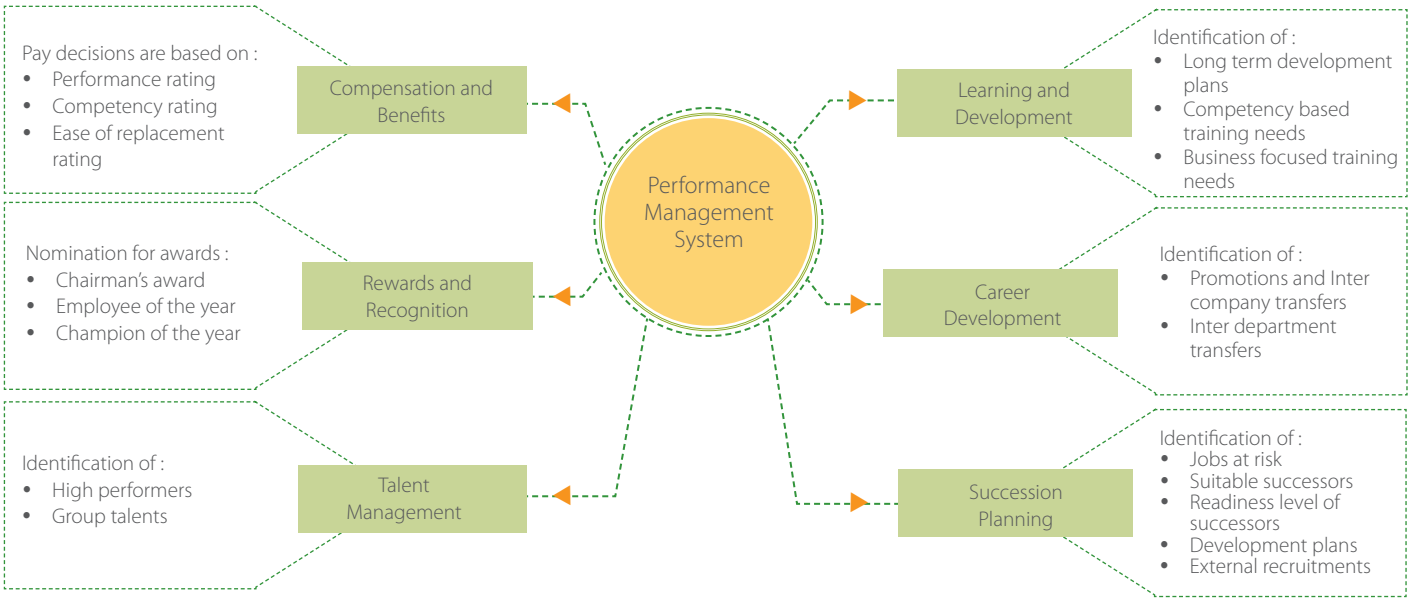
As stated at the outset, a proven Performance Management System and other supporting Human Resource Management Processes are essential in entrenching a culture of performance within a framework of compliance, conformance and sustainable development.

### *4.2.1 Performance Management*

The Performance Management System as illustrated below is at the heart of many supporting Human Resource Management processes such as Learning and Development, Career Development, Succession Planning, Talent Management, Rewards/Recognition and Compensation/ Benefits.

The JKH Group's Performance Management System has been very instrumental in empowering staff in achieving organisational goals through relevant training, recognition and reward.

**JKH Performance Management System**



### 4.2.2 *Performance Based Compensation*

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.

Clerical and Non-executive – At these levels the short term incentive takes the form of a share of profits (Group-wide) calculated as a multiple of basic salary. No recognition is given to the individual performance rating.

## JKH GROUP COMPENSATION POLICY

### PERFORMANCE MANAGEMENT

"Pay for performance"
Greater prominence is given to the incentive component of the total target compensation of the management

### MORE THAN JUST A WORK PLACE

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

### COMPENSATION POLICY

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

### INTERNAL EQUITY

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

### EXTERNAL EQUITY

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

### *4.2.3 Equity Sharing*

The Employee Share Option Plan (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

As per the historical data, the financial benefit of the long term incentive scheme (ESOP) had been far greater than that of short term incentives and these long term incentives have been very instrumental in inculcating, in the recipients, a deep sense of ownership.

### *4.2.4 People and Talent Management*

CCS believes that shareholders' long term interests are well served by involving employees actively in safeguarding the 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 CCS 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 CCS is committed to hiring, developing and promoting individuals who possess the required competencies.

Moreover, CCS 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.

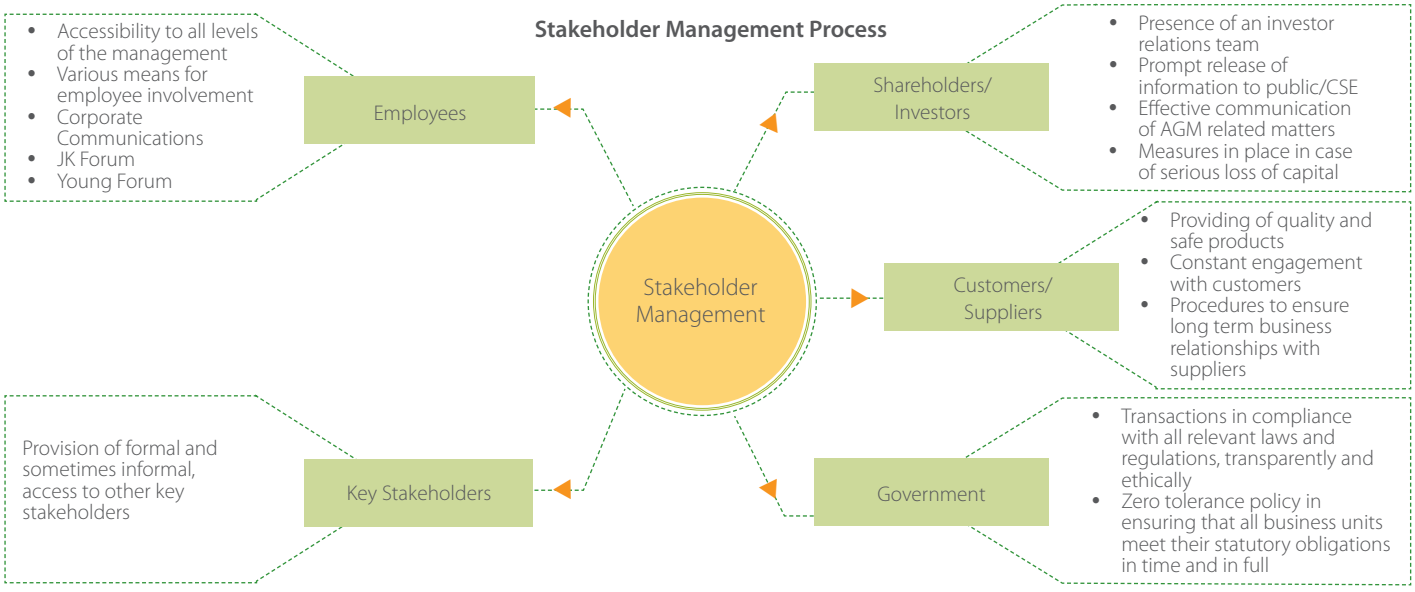
#### *4.2.4.1 Employee Involvement and Empowerment*

- 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 instil a sense of ownership, reduce bureaucracy and speed-up the decision making process.
- A bottoms-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.

## 4.3 Stakeholder Management

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

**Stakeholder Management Process**



### *4.3.1 Employee Relations*

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.

### *4.3.2. Channels to Reach All Shareholders of the Company*

The primary modes of communication between the Company and the shareholders are through the Annual Report, Quarterly Reports and the Annual General Meeting (AGM).

#### *4.3.2.1 Investor Relations*

The Investor Relations team of the Parent is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties in ensuring effective investor communication.

The Investor Relations team has regular discussions with shareholders, as and when applicable, to share highlights of the Group's performance as well as to obtain constructive feedback. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries and the Senior Independent Director or the Chairman. Further, individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing and holding or divesting decisions at all times.

#### *4.3.2.2 Release of Information to the Public and CSE*

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements.

All other material and price sensitive information about the Company is promptly communicated to the CSE and such information is also released to employees, press and shareholders.

#### *4.3.2.3 Annual General Meeting*

CCS makes use of the AGM constructively towards enhancing relationships with the shareholders and towards this end the following procedures are followed:

- Notice of the AGM and related documents are sent to the shareholders along with the Annual Report within the specified time
- Summary of procedures governing voting at general meetings are clearly communicated
- All the Executive and Non-Executive Directors are available to answer queries
- Both Chairman & CEO ensures that the relevant senior managers are available at the AGM to answer specific queries
- Separate resolutions are proposed for each item
- Proxy votes, those for and against, are announced

#### *4.3.2.4 Serious Loss of Capital*

In the unlikely event that the net assets of a Company fall below half of shareholder funds, shareholders would be notified and the requisite resolutions would be passed on the proposed way forward.

## 4.4 Sustainability Governance

The Group places great importance on sustainable development. The Group believes that its financial performance and brand image are closely lined with sound corporate governance practices, product and service excellence, a productive workforce, environmental stewardship and social responsibility. During the year under review, the Group's sustainability scope was increased to encompass the Global Goals, which expands on the Millennium Development Goals. Please refer the Sustainability Integration section of the Report for a detailed discussion of the Group's strategy of entrenching sustainability within its business operations, and the scope and boundary of its sustainability content.

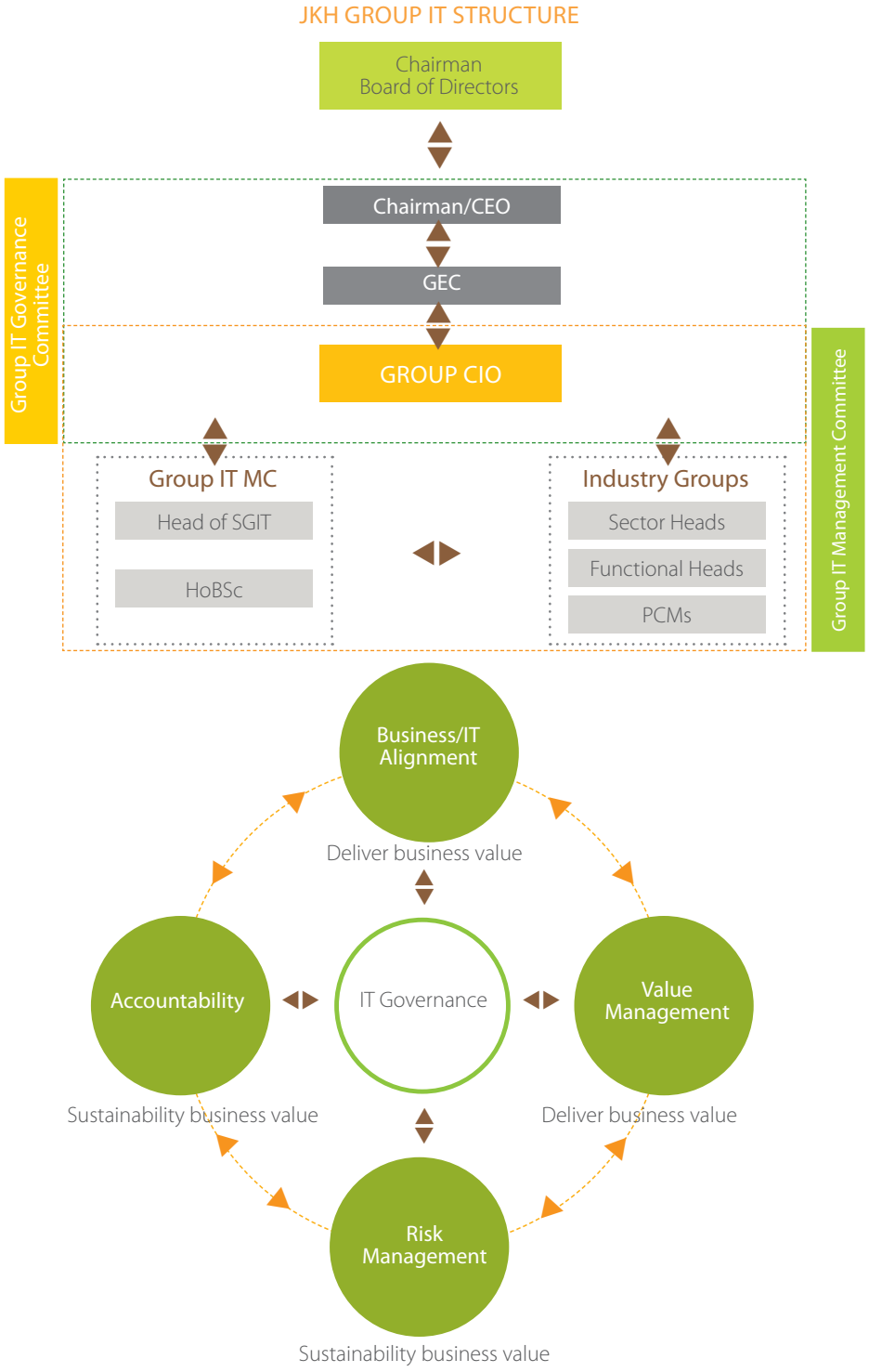
## 4.5 Information Technology Governance

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.

### *4.5.1 IT Governance Objectives*

To achieve the same, the Information Technology Governance frame work is built upon the following set of primal objectives:

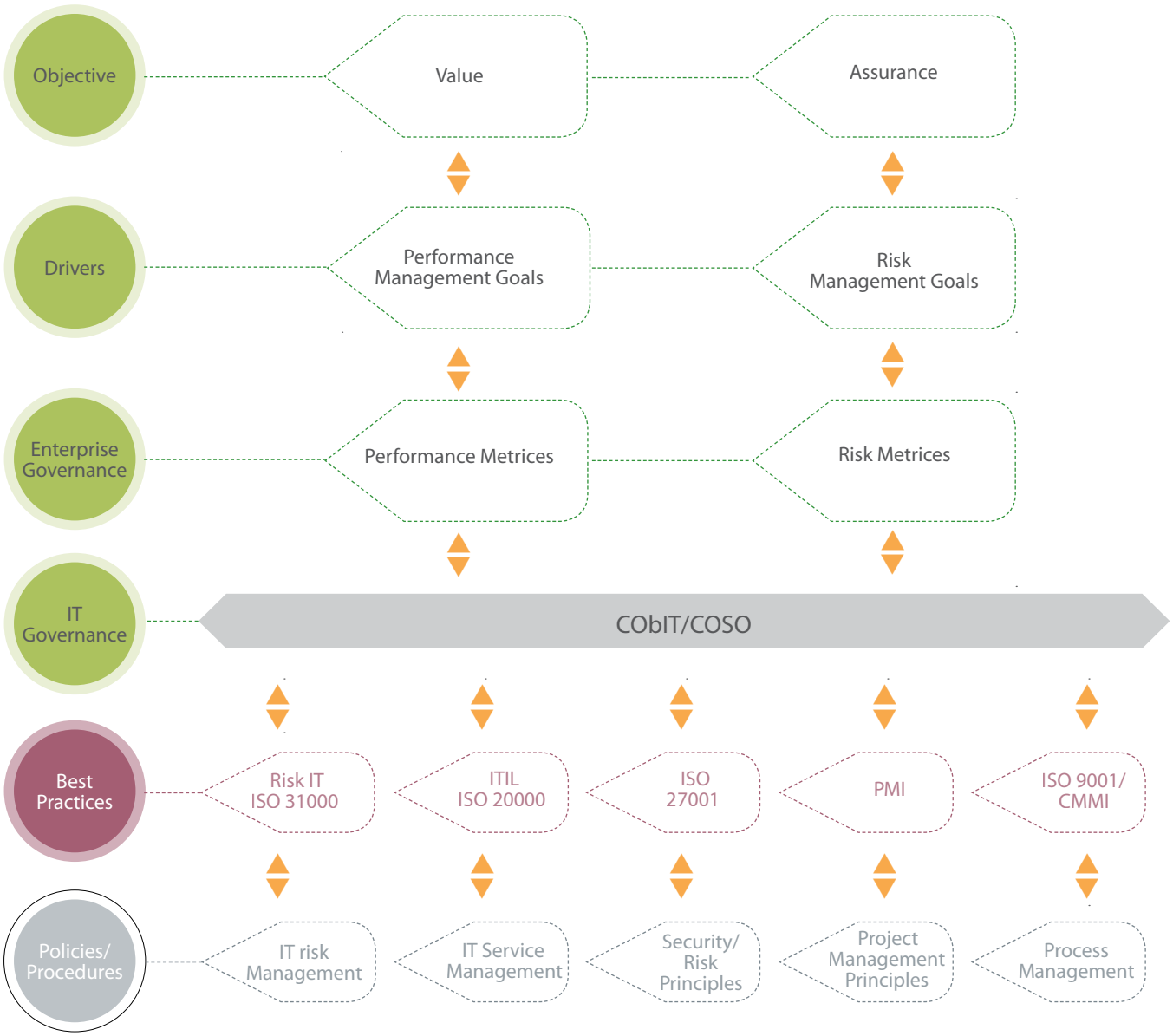
- Leverage IT as a Strategic Asset
- Create an "Agile Governance Model"
- Create better Alignment between business and IT
- Create greater business value with our investments in IT
- Create a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best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



### *4.5.2 IT Governance Framework*

The IT governance framework used within the Group leverages best practices and industry leading models such as CObIT (Control Objectives for Information and Related Technology), ISO 31000, ISO 27001, ISO 9001, COSO (Committee of Sponsoring Organisations of the Treadway Commission) /BCP (Business Continuity Planning), ISO 20000: ITIL (Information Technology Infrastructure Library), in providing a best of breed framework as illustrated below.

IT GOVERNANCE FRAMEWORK



### 4.6 Integrated Risk Management

The GMC has adopted the 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 diverse operations, are effectively managed in creating and preserving shareholder and other stakeholder wealth.

Following steps are taken towards promoting 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 CCS and the identified key risks to the achievement of the strategic business objectives of CCS.

## 5. ASSURANCE MECHANISMS

The 'Assurance Mechanism element is the supervisory module of the 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.

### 5.1 Independent Directors

Independent Directors represent more than one third of the Non-Executive Directors in the Board to preserve the corporate governance as stake holders need an independent party to voice their concerns on a confidential note.

### 5.2 Audit Committee

The Audit Committee plays an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board.

For more information refer to Audit Committee section on pages 135 to 137.

### 5.3 Employee Participation in Assurance

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

- Skip Level meetings
- Exit interviews
- Young Forum meetings
- 360 Degree evaluation
- Great Place to Work survey
- Voice of Employee survey
- Monthly staff meetings

Additionally, the Group continued with its whistle-blower policy and securities trading policy. The Group has witnessed an increased level of communication flow from employees. Such communication and feedback received from the employees by the management are recorded, irrespective of the level of anonymity, and subsequently discussed and followed up. The respective outcomes are duly recorded.

### 5.4 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:

#### *5.4.1 Internal Compliance*

A quarterly self-certification programme requires the President-CEO, Chief Financial Officer the Sector Financial Controller 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.

#### *5.4.2 System of Internal Control*

The Internal Audit function in the Company and the Subsidiary is not outsourced to the External Auditor in a further attempt to

ensure External Auditor's independence. The Auditor's report on the financial statements of the Company and the Group for the year under review is found in the Financial Information section of the Annual Report.

The Risk Review Programme covering the internal audit of the Company is outsourced to Messrs'. PricewaterhouseCoopers (PwC) Limited, a firm of Chartered Accountants and that of the Subsidiary is outsourced to Binder Dijker Otte (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 Committee also assesses 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.

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.

### *5.4.3 Review of Segregation of Duties (SoD) Under Sarbanes-Oxley (SOX) Guidelines*

During the year, the Company and the Subsidiary reviewed the SoDs of every role and individual using the SOX guidelines. The Company is very aware of the need to ensure that no individual should have excessive system access to execute transactions across an entire business process or business processes which have critical approval linkages. The increasing use of information technology and integrated financial controls creates unintended exposures within the Company. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is allowed to execute two or more conflicting sensitive transactions. Separating discrete jobs into task oriented roles can often result in inefficiencies and costs which do not meet the cost vs benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, during the year, the Company took steps, to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost vs benefit rationale. A revised SoD matrix is one of the outcomes of the exercise.

### *5.4.4 Data Analytics*

Traditionally, Internal Auditing followed an approach which was based on a cyclical process that involves manually identifying control objectives, assessing and testing controls, performing tests, and sampling only a relatively small population of the dataset to measure control effectiveness and operational performance. Today, the Company operates in a complex and dynamic business environment where the transaction numbers have increased exponentially over the years and the traditional cyclical/sample based Internal Auditing techniques are becoming less effective. Therefore, during the year under review, the Company commenced "big-data analysis" techniques on the total data using Standard Deviations and Z-Scores in establishing real time, user-friendly "outlier identification" and "early warning triggers".

### *5.4.5 Internal Audit*

The Company internal audit process is conducted by outsourced parties at regular intervals, coordinated by the JKH Group Business Process Review function (GBPR) of the Group. GBPR ensures that the internal audit plan adequately covers the significant risks of the Company, reviews the important internal audit findings and follow-up procedures.

## 5.5 Code of Conduct

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

### *5.5.1 Group Values*

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

### *5.5.1 Group Values*

The Chairman has confirmed that there has been no instances of violation of the Code of Conduct during the year.

### 5.6 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;

a. The decision and the recommendations

b. Action taken based on the recommendations

c. Where the Chairman disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

In situation (C) 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 victimised for having invoked this process.

### 5.7 External Audit

M/s. Ernst & Young is the External Auditor of the Company as well as of the Subsidiary. They also audit the consolidated financial statements of the Company.

In addition to the normal audit services, M/s. Ernst and 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 Audit Committee and are assessed to ensure that there is no compromise of External Auditor independence.

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

The Audit and non-audit fees paid by the Company and Group to its Auditors are separately classified in the notes to the financial statements of the Annual Report.

### 5.8 Regulatory and Accounting Benchmarks

The Board, through its other operating structures, strived to ensure that the Company and its Subsidiary and Associate complied with the laws and regulations.

The Board of Directors also took all reasonable steps in ensuring that all financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the CSE and other applicable authorities. Information in the financial statements of the Annual Report are supplemented by a detailed Management Discussion and Analysis which explains to shareholders the strategic, operational, investment, sustainability and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

CCS and its Subsidiary are fully compliant with all the mandatory rules and regulations stipulated by the:

- Corporate Governance under Listing Rules published by the CSE and
- Companies Act No. 7 of 2007

CCS has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly issued by the SEC of Sri Lanka and the CA Sri Lanka and have in all instances, barring a few, embraced such practices, voluntarily, particularly if such practices have been identified as relevant and value adding. In the very few instances where CCS has not adopted such best practice, the rationale for such non adoption is articulated.

## 6. FUTURE OUTLOOK AND EMERGING CHALLENGES

In an ever changing and dynamic world of corporate governance, CCS is acutely aware of the need to remain relevant through its level of preparedness and its capability in meeting the emerging governance needs of the Group, its stakeholders and the environment in which the Group operates. As is evident from the aforesaid Commentary, the Group has continued to endeavour, in the year under review, to stay abreast of governance best practices.

Corporate implosions in the recent past, the pursuit of continuous improvement in governance and a call for increased transparency are exerting change pressure on selected governance aspects. Summarised below are the more significant challenges, amongst many others, being addressed by the Group

## 6.1 Gender Diversity on the Board

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

CCS believes that a Board which is composed of Directors who represent, and therefore reflect the needs and desires of its customers, employees and other stakeholders will be more effective. Given that women comprise a significant proportion of the customer and employee populations, the Company will make greater effort to attract appropriately qualified women to its various Boards.

## 6.2 Activist Investors

The past few years have seen a significant increase in shareholder activism. This would invariably mean, that the Directors will be held increasingly accountable for the company's performance. The Company will meet this challenge through more regular communication with its shareholders and through enhanced levels of public disclosure. The Company will continue to focus on maintaining suitable channels of communication with investors and analysts, as required, on a timely basis.

## 6.3 Cyber Security

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

## 6.4 Board Refreshment

There is increasing pressure for Boards to update themselves more frequently than they have done in the past. Whilst there is one school of thought that routine turnover on Boards is necessary to introduce new ideas, experiences and to keep up with the dynamic needs of the business, there is another school which is of the view that Boards and companies benefit from tenured and experienced Board members who know the business and industry since they have been engaged in it for some time. The Company is in favour of a "middle of the road" approach in this respect.

## 6.5 Board Independence

In Corporate Governance, independence is important in a number of contexts. It is vital that External Auditors are independent of their clients; the Internal Auditors are independent of the colleagues they are auditing and that Non-Executive Directors have a degree of independence from their Executive colleagues on the Board. The JKH Group will, as stated before, strike a right balance between continuous Board refreshment, which, in general, is thought to facilitate independence, and tenured and experienced Board members, who are perceived as having lesser independence because of their extended tenure on the Board.

## 6.6 Greater Employee Involvement in Governance

The Group acknowledges, and recognises the role played by all its employees in reinforcing an effective governance system. Going forward, the company will encourage employee participation through;

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

## 7. COMPLIANCE SUMMARY

### 7.1 Levels of Compliance with the Listing Rules of the Colombo Stock Exchange's - Section 7.10, Rules on Corporate Governance (Mandatory Provisions – Fully Complied)

| Rule No. | Applicable requirement | Compliance Status | CCS / JKH (Parent) Action |
|---|---|---|---|
| 7.10 Compliance | | | |
| a/b/c | Compliance with Corporate Governance Rules. | Compliant | CCS is in compliance with the Corporate Governance Rules and any deviations are explained where applicable. |
| 7.10.1 Non-Executive Directors (NED) | | | |
| a/b/c | Two or at least one third of the total number of Directors should be Non-Executive Directors. | Compliant | 6 out of the 7 Board members are NEDs. CCS is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time in line with needs. |
| 7.10.2 Independent Directors | | | |
| a | Two or one third of Non-Executive Directors, whichever is higher, should be independent. | Compliant | 3 out of the 6 NEDs are independent. |
| b | Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format. | Compliant | Independence of the Directors has been determined in accordance with CSE Listing Rules, and the 3 Independent NEDs have submitted signed confirmation of their independence. |
| 7.10.3 Disclosures Relating to Directors | | | |
| a/b | The Board shall annually determine the independence or otherwise of NEDs | Compliant | All Independent NEDs have submitted declarations as to their independence. |
| c | A brief resumé of each Director should be included in the Annual Report including the Directors' experience | Compliant | Refer to Board of Directors' profile section in the Annual Report. |
| d | Provide a resume of new Directors appointed to the Board along with details specified in 7.10.3 (a), (b) and (c) of the rules | Compliant | Detailed resume of Mr. Muhamed Hamza who was appointed as an independent NED was submitted to the CSE |
| 7.10.4 Criteria for Defining Independence | | | |
| a-h | Requirements for meeting criteria to be an Independent Director | Compliant | Refer to summary of Directors interests section in the Corporate Governance of the Annual Report |
| 7.10.5 Remuneration Committee | | | |
| a.1 | Remuneration Committee shall comprise of NEDs, a majority of whom will be independent. | Compliant | The Human Resources and Compensation Committee of the Parent Company JKH (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs. |
| a.2 | One NED shall be appointed as Chairman of the Committee by the Board of Directors. | Compliant | The Senior Independent NED of the parent is the Chairman of the Committee. |

| Rule No. | Applicable requirement | Compliance Status | CCS / JKH (Parent) Action |
|---|---|---|---|
| b | The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer (CEO) and Executive Directors. | Compliant | The remuneration of the Executive Directors and President-CEO of the Company and that of the President and the CEO of the Subsidiary is determined as per the remuneration principles of the JK Group and recommended by the Human Resources and Compensation Committee. |
| c.1 | Names of Remuneration Committee members. | Compliant | Refer Board Committees section of the Annual Report. |
| c.2 | Statement of Remuneration policy. | Compliant | Refer Corporate Governance Section. |
| c.3 | Aggregate remuneration paid to EDs and NEDs. | Compliant | Notes to the Financial Statements |
| 7.10.6 Audit Committee (AC) | | | |
| a.1 | AC shall comprise of NEDs, a majority of who should be independent. | Compliant | The AC comprises only of Independent NEDs. |
| a.2 | A NED shall be the Chairman of the committee. | Compliant | Chairman of the Audit Committee is an Independent NED. |
| a.3 | CEO and CFO should attend AC meetings. | Compliant | The President / CEO, the CFO and the Sector Financial Controller attended AC meetings by invitation. |
| a.4 | The Chairman of the AC or one member should be a member of a professional accounting body. | Compliant | The Chairman of the AC is a member of a professional accounting body. |
| b.1 | Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS. | Compliant | The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group. |
| b.2 | Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations. | Compliant | The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies |
| b.3 | Ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS. | Compliant | The AC assesses the effectiveness of internal controls and risk management practices. |

| Rule No. | Applicable requirement | Compliance Status | CCS / JKH (Parent) Action |
|---|---|---|---|
| b.4 | Assessment of the independence and performance of the Entity's External Auditors. | Compliant | The AC assesses the External Auditor's performance, qualifications and independence. |
| b.5 | Make recommendations to the board pertaining to External Auditors. | Compliant | The Committee is responsible for appointment, re-appointment, removal of External Auditors and also the approval of the remuneration and terms of engagement. |
| c.1 | Names of the AC members shall be disclosed. | Compliant | Refer Board Committees section of the Annual Report. |
| c.2 | AC shall make a determination of the independence of the External Auditors. | Compliant | Refer Report of the AC in the Annual Report. |
| c.3 | Report on the manner in which AC carried out its functions. | Compliant | Refer Report of the AC in the Annual Report |

## 7.2. COMPANIES ACT NO. 7 OF 2007

| Rule | | Compliance status | Reference |
|---|---|---|---|
| 168 (1) (a) | The state of the Company's affairs and nature of the business of the Company or any of its subsidiaries together with any change thereof during the accounting period | Yes | Annual Report 2015/16 - Notes to the Financial Statements |
| 168 (1) (b) | Signed financial statements of the Company and its subsidiaries for the accounting period completed | Yes | Annual Report 2015/16 – Financial Statements |
| 168 (1) ( c) | Auditors' Report on financial statements of the Group and the Company | Yes | Annual Report 2015/16 – Independent Auditors' Report |
| 168 (1) (d) | Accounting policies and any changes therein | Yes | Annual Report 2015/16 - Notes to the Financial Statements |
| 168 (1) (e) | Particulars of the entries made in the Interests Register during the accounting period | Yes | Annual Report of the Board of Directors |
| 168 (1) (f) | Remuneration and other benefits paid to Directors of the Company during the accounting period | Yes | Annual Report 2015/16 - Notes to the Financial Statements |
| 168 (1) (g) | Corporate donations made by the Company during the accounting period | Yes | Annual Report 2015/16 - Notes to the Financial Statements |
| 168 (1) (h) | Names of the Directors of the Company and its Subsidiaries at the end of the accounting period and name of Directors who ceased to hold office during the accounting period | Yes | Annual Report 2015/16 – Annual Report of Board of Directors |

| Rule | | Compliance status | Reference |
|---|---|---|---|
| 168 (1) (i) | Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period | Yes | Annual Report 2015/16 - Notes to the Financial Statements |
| 168 (1) (j) | Other relationships or any interest of Auditors with the Company and its Subsidiaries | Yes | Audit committee Report |
| 168 (1) (k) | Acknowledgement of the contents of this Report and signatures on behalf of the Board | Yes | Annual Report of the Board of Directors |

## 7.3 THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE JOINTLY ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA (SEC) AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (ICASL)

**Voluntary Provisions – Fully Complied**

### A. Directors

| Section | Compliance Status | Corporate Governance Commentary Section Reference |
|---|---|---|
| **A. 1 Effective Board to Direct and Control the Company** | | |
| A. 1. 1 Regular Board meetings | Compliant | Corporate Governance Section 3.1.9. |
| 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. | Compliant | Corporate Governance Section 3.1.1 |
| A. 1. 3 Act in accordance with the laws of the country and obtain professional advice as and when required. | Compliant | Corporate Governance Section 3.1.8 |
| A. 1. 4 Access to advice and services of the Company Secretary. | Compliant | Corporate Governance Section 3.1.9.4 |
| A. 1. 5 Bring Independent judgment on various business issues and standards of business conduct. | Compliant | Corporate Governance Section 3.1.4 |
| A. 1. 6 Dedication of adequate time and effort. | Compliant | Corporate Governance Section 3.1.15 |
| A. 1. 7 Board induction and training. | Compliant | Corporate Governance Section 3.1.6 |

| Section | Compliance Status | Corporate Governance Commentary Section Reference |
|---|---|---|
| **A. 2 Chairman and Chief Executive Officer** | | |
| A.2.1 Division of responsibilities between the Chairman and CEO. | Compliant | Corporate Governance Section 3.5 |
| **A. 3 Chairman's Role** | | |
| A 3.1 The Chairman should ensure Board proceedings are conducted in a proper manner. | Compliant | Corporate Governance Section 3.5 |
| **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. | Compliant | Corporate Governance Section 3.1.4 |
| **A. 5 Board Balance** | | |
| A. 5. 1 In the event the Chairman and CEO is the same person, NEDs should comprise a majority of the Board. | N/A | N/A |
| A 5. 2 Where the constitution of the Board of Directors includes only two NEDs, both such NEDs should be Independent. | N/A | N/A |
| A. 5. 3 Definition of Independent Directors. | Compliant | Corporate Governance Section 3.1.5 |
| A. 5. 4 Declaration of Independent Directors. | Compliant | Corporate Governance Section 3.1.5 |
| A. 5. 5 Board determinations on Independence or Non-Independence of NEDs. | Compliant | Corporate Governance Section 3.1.5 |
| A.5.6 If an alternate Director is appointed by a NED such alternate Director should not be an Executive of the Company. | N/A | N/A |
| A. 5. 7 In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the "Senior Independent Director" (SID). | N/A | N/A |
| A. 5. 8 The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns. | N/A | N/A |
| A. 5. 9 The Chairman should hold meetings with the NEDs without the Executive Directors being present. | Compliant | Corporate Governance Section 3.5.1 |
| A. 5. 10 Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes. | Compliant | Corporate Governance Section 3.1.9.4 |
| **A. 6 Supply of information** | | |
| A. 6.1 Board should be provided with timely information to enable it to discharge its duties. | Compliant | Corporate Governance Section 3.1.9.3 |

| Section | Compliance Status | Corporate Governance Commentary Section Reference |
|---|---|---|
| A. 6. 2 Timely submission of the minutes, agenda and papers required for the Board meeting. | Compliant | Corporate Governance Section 3.1.9.1 |
| **A. 7 Formal and Transparent Procedure for Board Appointments** | | |
| A. 7. 1 Nomination Committee to make recommendations on new Board appointments. | Compliant | Corporate Governance Section 3.1.6 |
| A. 7. 2 Annual assessment of the capability of Board to meet strategic demands of the Company. | Compliant | Corporate Governance Section 3.4.3 |
| A. 7. 3 Disclosure of New Board member profile and Interests. | Compliant | CCS Annual Report 2015/16 – Board Profiles |
| **A. 8 Re - Election** | | |
| A. 8. 1 / A. 8. 2 Re-election at regular intervals and should be subject to election and re-election by the shareholders. | Compliant | Corporate Governance Section 3.1.7 |
| **A. 9 Appraisal of Board Performance** | | |
| A. 9. 1 The Board should annually appraise itself on its performance in the discharge of its key responsibilities. | Compliant | Corporate Governance Section 3.1.11 |
| A. 9. 2 The Board should also undertake an annual self-evaluation of its own performance and that of its Committees. | Compliant | Corporate Governance Section 3.1.11 |
| A. 9. 3 The Board should state how such performance evaluations have been conducted. | Compliant | Corporate Governance Section 3.1.11 |
| **A. 10 Disclosure of Information in Respect of Directors** | | |
| A. 10. 1 Profiles of the Board of Directors | Compliant | Board Profiles – Annual Report 2015/16, |
| **A. 11 Appraisal of the Chief Executive Officer** | | |
| A. 11. 1 / A. 11. 2 Appraisal of the CEO against the set strategic targets | Compliant | Corporate Governance Section 3.5.2 |
| **B. Directors' Remuneration** | | |
| B. 1 Remuneration procedure | | |
| B. 1. 1 the Board of Directors should set up a Remuneration Committee. | Compliant | Corporate Governance Section 3.4.2 |
| B. 1. 2 Remuneration Committees should consist exclusively of NEDs | Compliant | Corporate Governance Section 3.4.2 |
| B. 1. 3 The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year. | Compliant | Corporate Governance Section 3.4.2 |
| B. 1. 4 Determination of the remuneration of NEDs. | Compliant | Corporate Governance Section 3.1.12.2 |

| Section | Compliance Status | Corporate Governance Commentary Section Reference |
|---|---|---|
| B. 1. 5 The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other EDs and have access to professional advised | Compliant | Corporate Governance Section 3.1.12.1 |
| **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. | Compliant | Corporate Governance Section 3.1.12.1 |
| B. 2. 5 Executive share options should not be offered at a discount. | Compliant | Corporate Governance Section 3.1.12.1 |
| B. 2. 6 Designing schemes of performance-related remuneration. | Compliant | Corporate Governance Section 3.1.12.1 |
| B. 2. 7 / B. 2. 8 Compensation commitments in the event of early termination of the Directors. | Compliant | Corporate Governance Section 3.1.12.3 |
| B. 2. 9 Level of remuneration of NEDs | Compliant | Corporate Governance Section 3.1.12.2 |
| **B. 3 Disclosure of Remuneration** | | |
| B. 3 / B. 3. 1 Disclosure of remuneration policy and aggregate remuneration. | Compliant | Corporate Governance Section 3.1.12 |
| **C. Relations with Shareholders** | | |
| 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 Chairman of the Audit Committee to have better familiarity with the Group's business and operational workings. | Compliant | Corporate Governance Section 4.3.2.3 |
| C. 1. 1 Counting of proxy votes | Compliant | Corporate Governance Section 4.3.2.3 |
| C. 1. 2 Separate resolution to be proposed for each item. | Compliant | Corporate Governance Section 4.3.2.3 |
| C. 1. 3 Chairman of Board subcommittees to be available to answer queries. | Compliant | Chairman of the Audit Committee is available to answer queries. |
| C. 1. 4 Notice of Annual General Meeting to be sent to shareholders with other papers as per statute. | Compliant | Corporate Governance Section 4.3.2.3 |
| C. 1. 5 Summary of procedures governing voting at General meetings to be informed. | Compliant | Corporate Governance Section 4.3.2.3 |
| **C. 2 Communication with Shareholders** | | |
| C. 2. 1. Channel to reach all shareholders to disseminate timely information. | Compliant | Corporate Governance Section 4.3.2.1 |

| Section | Compliance Status | Corporate Governance Commentary Section Reference |
|---|---|---|
| C. 2. 2 - C.2.7 Policy and methodology of communication with shareholders and implementation. | Compliant | Corporate Governance Section 4.3.2 |
| **C. 3 Major and Material Transactions Including Major Related Party Transactions.** | | |
| C. 3. 1 Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets. | Compliant | CCS Annual Report 2015/16 – Notes to Financial Statements |
| **D. Accountability and Audit** | | |
| D. 1 Financial Reporting | | |
| D. 1. 1 Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators. | Compliant | Corporate Governance Section 4.3.2.2 |
| D. 1. 2 Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary. | Compliant | Refer to Annual Report of the Board of Directors in the Annual Report |
| D. 1. 3 Statement of Directors' responsibilities and auditors reporting responsibilities. | Compliant | Refer to Statement of Directors' Responsibility and the Auditors Reports |
| D. 1. 4 Management Discussion and Analysis. | Compliant | Refer to Business Review |
| D. 1. 5 The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. | Compliant | Refer to Annual Report of the Board of Directors |
| D. 1. 6 Remedial action at an Extraordinary General Meeting if net assets fall below 50% of value of shareholders' funds. | Compliant | Corporate Governance Section 4.3.2.4 |
| D. 1. 7 Disclosure of Related Party Transactions. | Compliant | Refer to Notes to the Financial Statements. |
| **D.2 Internal Control** | | |
| D. 2. 1 Annual review of effectiveness of system of Internal Control and report to shareholders as required. | Compliant | Corporate Governance Section 5.4 |
| D. 2. 2 Internal Audit Function. | Compliant | Corporate Governance Section 5.4 |
| D. 2. 3 / D. 2. 4 Maintaining a sound system of internal control. | Compliant | Corporate Governance Section 5.4.2 |
| D. 3 Audit Committee | | |
| D.3.1 The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively of 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. | Compliant | Corporate Governance Section 3.4.1 |

| Section | Compliance Status | Corporate Governance Commentary Section Reference |
|---|---|---|
| D.3.2 Terms of reference, duties and responsibilities. | Compliant | Corporate Governance Section 3.4.1 |
| D.3.3 The Audit Committee to have written Terms of Reference covering the salient aspects as stipulated in the section. | Compliant | Corporate Governance Section 3.4.1 |
| D.3.4 Disclosure of Audit Committee membership. | Compliant | Annual Report of the Board of Directors |
| **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. | Compliant | Corporate Governance Section 5.5 |
| D.4.2 The Chairman must certify that he is not aware of any violation of any of the provisions of this Code. | Compliant | Corporate Governance Section 5.5.2 |
| **D.5 Corporate Governance Disclosures** | | |
| D.5.1 The Directors should include in the Company's Annual Report a Corporate Governance Report. | Compliant | Corporate Governance Report |
| **E. Institutional Investors** | | |
| E. 1 Shareholder Voting | | |
| E.1.1 Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives. | Compliant | Corporate Governance Section 4.3.2.1 |
| **E. 2 Evaluation of Governance Disclosures.** | | |
| E.2. When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention. | Compliant | Corporate Governance Section 4.3.2 |
| **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. | Compliant | Corporate Governance Section 4.3.2.1 |
| **F.2 Shareholder Voting** | | |
| F.2 Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights. | Compliant | Complied at the AGM |
| **G. Sustainability Reporting** | | |
| G.1 – G.1.7 Disclosure on adherence to sustainability principles. | Compliant | Refer GRI Index. |

Elephant House
Twistee
FRUIT JUICE WITH GREEN TEA
APPLE
350ml
Twistee™
FRUIT JUICE WITH GREEN TEA
350ml

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# Enterprise Risk Management

The underlying premise of enterprise risk management practiced in the Group is to provide value for its stakeholders. Like any other business the Group, too faces uncertainty and the challenge within its operating environment. Uncertainty presents risks and opportunities, with the potential to erode or enhance value for the stakeholders. Enterprise risk management enables management to effectively deal with uncertainty and associated risk whilst trying to create value through capitalising on business opportunities.

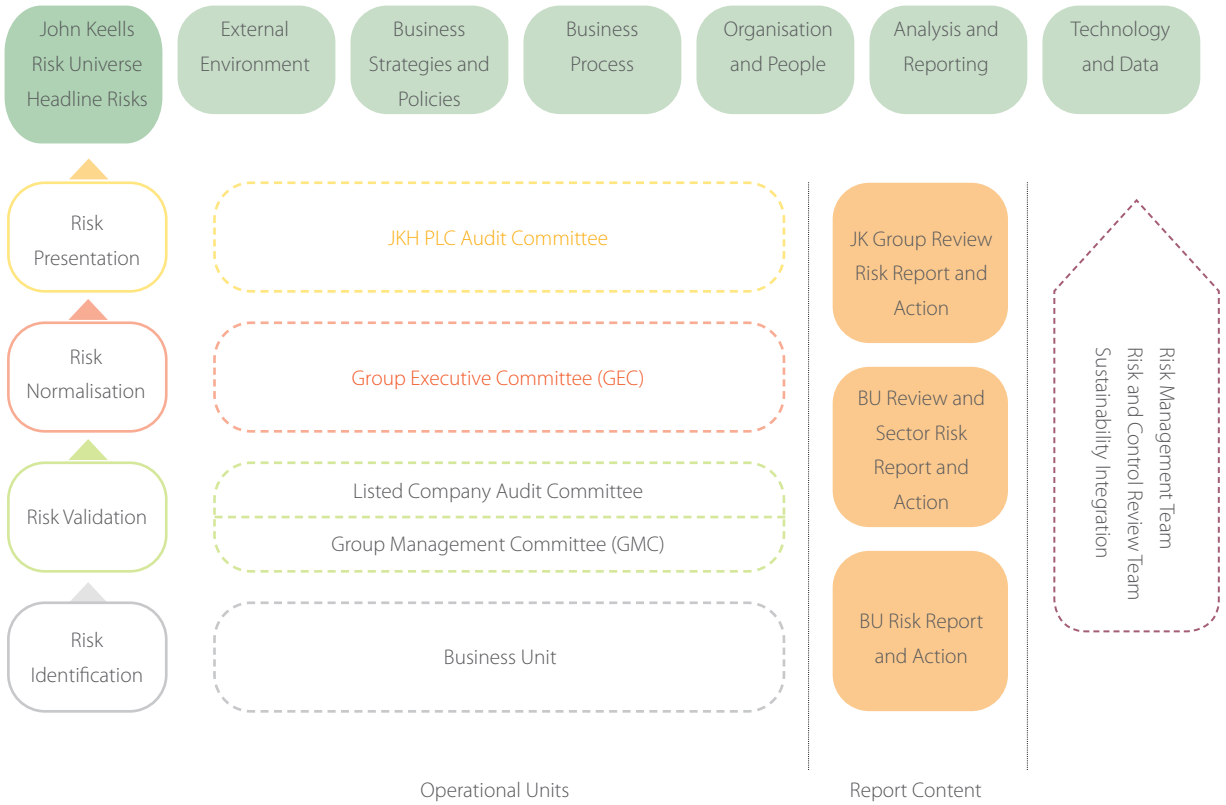
The annual Risk Management cycle begins with a detailed discussion and identification of risks, impacts and preventive, detective and corrective mitigation plans in conjunction with the JKH ERM division after which the Company carries out quarterly risk reviews. Risk management is an integral part of the strategic decision making. Risks are identified and assessed through a Risk Control Self-Assessment (RCSA) document unique to the John Keells Group. The Company rates its level of risk for each identified risk event using an evaluation of the 'expected severity of impact of the risk event the 'likelihood of its occurrence and the velocity of impact of the risk event, which is the speed at which the risk event will impact the Company.

Individual Business units are the ultimate owner of its 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 Company risk review is considered by the JKH ERM division in consolidating risks for the John Keells Group.

The risk management process and information flow adopted by JKH group is depicted below in table 1.

TABLE 1- JKH GROUP RISK MANAGEMENT PROCESS



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 it occurs, may result in the Organisation or Business Unit failing to meet its stated objectives.

Core Sustainability Risks -

Core Sustainability Risks are defined as those risks having a catastrophic impact to and from the organisation, but may have a very low or nil probability of occurrence.

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

Using group Guidelines 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 probability of occurrence and the level of impact to the organisation. Please see Table 2 for further details.

### iii. Establishment of Level of Risk based on the Risk Grading Grid

Based on the values assigned for each individual risk, using the matrix given in Table 2 a level of risk is established by multiplying the Likelihood of Occurrence with Severity of Impact.

## TABLE 2 GUIDELINE FOR RATING RISKS

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

Occurrence/Likelihood

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

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# Enterprise Risk Management

## QUARTERLY REVIEW OF THE RISKS IDENTIFIED USING RISK 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 that 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.

All risks are validated at the Company level by the Company Management Committees and risks are profiled, analysed and reported to the Audit Committee of the Company on a bi-annual basis.

## RISK UNIVERSE

The identified risks are broadly classified into the Risk Universe as identified by the John Keells Group. The Risk Universe for the CCS and JMSL is as follows in Table 3.

### TABLE 3 – RISK UNIVERSE – CCS AND JMSL

| External Environment | Business Strategies and Policies | Business Process | Organisation and People | Analysing and Reporting | Technology and Data |
|---|---|---|---|---|---|
| Political | Reputation and Brand Image | Internal Business Process | Leadership | Performance Measurement and Reporting | Technology Infrastructure, Architecture |
| Competitor | Capital and Finance | Operations – Planning, Production and Process | Skills/ Competency/ Motivation | Budgeting, Financial Planning | Data Relevance and Integrity |
| Catastrophic Loss | Strategy and Innovation | Operations – Technology, Design, Execution and Continuity | Change Readiness | Accounting, Tax Information | Data Processing Integrity |
| Customer Expectations | Business/Product Portfolio | Resource, Capacity and Allocation | Communication | External Reporting and Disclosures | Technology Reliability and 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 and Climate | Investment, Mergers and Acquisitions | Interdependency | Fraud and Abuse | Contract Commitment | |
| | Environment, Health and Safety | Customer Satisfaction | Knowledge, Intellectual Capital | Insurable Risks | |
| | | Legal, Regulatory Compliance and Privacy | Change Integration | | |
| | | Innovation | Labour Relations | | |
| | | Property and Equipment Damage | Attrition | | |
| | | Liability | | | |

## SUSTAINABLE RISK MANAGEMENT

Risk Management process of CCS is intrinsically interwoven with sustainability and CSR and forms the foundation for the engagements with internal and external Stakeholders. The Risk Management process now extends to its value chain as CCS seeks a holistic approach of management and mitigation of risk entrenching it with GRI indicators and guidelines. Risk Management is therefore considered more than the operational and finance risk faced by the company but encompasses macro-economic , environmental community, employees , value chain and other risk related to the triple bottom-line approach of the Company.

## RISK MANAGEMENT DURING THE REPORTING YEAR

The Enterprise Risk Management cycle begins during the second quarter of the year with the annual risk review of all Business Units. The John Keells Group's Enterprise Risk Management (ERM) Division assisted the heads of Business Units and the 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.

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

### 1. Macro-Economic Environment, Changes in Interest Rates, Exchange Rates, Taxes and Tariffs

The macro economic factors, interest rates, exchange rates, taxes and tariffs have a direct impact on cost and consumer spending which can reduce the sales and increase the costs of the Company.

For CCS the cost of production is largely dependent upon the cost of sugar and skimmed milk sourced from overseas suppliers, hence the exchange rate impact as well as duties and taxes imposed on imported raw material items will impact the cost. For JMSL, negative impacts from unexpected changes in tariffs, government policies and regulatory requirements cannot be passed on to the customer and this adversely affected the profitability of the Company.

We have addressed this risk by continuous review of macro-economic conditions and consumer behaviours through market surveys, development of alternative suppliers for raw materials to get the competitive rates, lobbying against taxes and levies and to maintain an ongoing dialogue with the government along with other leading retailers and suppliers.

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 and forward booking for imports to hedge against exchange rate risks. 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 interest risk exposure.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Macro - Economic Environment, Changes in Interest Rates, Exchange Rates, Taxes and Tariffs | External Environment | High | High |

### 2. Product Liability

The Company has identified Product Liability which can arise due to fault in the product as a core risk.

CCS has taken steps over the years to mitigate this risk which includes certifying the manufacturing processes in ISO 9001(2008) and ISO 22000, adherence to Good Manufacturing Practices (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 the Company officials and an internal mechanism has been established to address these suggestions or complains promptly.

# Enterprise Risk Management

For JMSL, erosion of brand value due to food poisoning and expired items on shelf is the core risk. Expiry tracking process, daily Chiller temperature monitoring process, routine inspections by Freshness Officers and Store Managers on quality and freshness of fresh produce, sharing the best practices of "quality management" with the suppliers for poultry and seafood items, systematic monitoring of all customer complaints by the management, and continuous training and education of the staff are the mitigation strategies adopted by the Company.

| Risk item | Headline risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Product Liability risk | Business process | Medium | Medium |

### 3. 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 as well as locally 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 agreements for key ingredients and substitute where possible with local materials without compromising quality. Further, we have built a strong relationship with farmer communities and other local suppliers through the CSR initiatives to ensure continuous supply at stable price levels.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Price Volatility of Raw Materials | Business process | Medium | Medium |

### 4. Human Resource, Labour Relations, Loss of Talent and Health and Safety

For CCS, deterioration of labour relations could result in a significant increase in labour costs, disruption to operations and production down time and impact to the image of the Company. With a view to addressing the above concerns 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. Company conducts employee satisfaction surveys on an annual basis.

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.

For JMSL, superior customer service and focus on quality and freshness are integral components of the skills set instilled in employees. Hence, the company invests heavily on uplifting the service standards and process knowledge of the staff. Therefore retention of the skilled staff is a key priority of the company. In order to mitigate the risk of losing skilled employees, the company has established reward and recognition schemes, compensation aligned to market levels, continuous investment in training and development, developing a robust talent pipeline to fill the vacancies, conduct exit interviews to identify reasons for labour turnover and formulate corrective action.

For CCS, ensuring a safe working environment for its employees, suppliers and customers remains a top priority for the company, as it believes this improves motivation, productivity and reduces accidents at the work place. The company has obtained OHSAS certification, streamlining the organisational processes, with continuous monitoring and process improvement to ensure safe working conditions for its employees. This is an important area of attention for JMSL as well and the company

provides required safety equipment based on the work roles and conducts training on usage of the same. Number of injuries are systematically recorded and analysed in order to identify high risk areas to help formulate corrective actions.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Human Resource, Labour Relations , Loss of Talent a Health and Safety | Organisation and People | Medium | Medium |

### 5. Ensuring Safety within the Supermarket Premises

For JMSL the risk of injuries to third parties within the supermarket premises is a core risk.

As a risk mitigation strategy the Company maintains an outlet design manual that specifies layout of the outlet to ensure adequate circulation space for unhindered movement, ensure adequate ventilation, easily accessible exit doors in case of an emergency and comprehensive fire-fighting equipment. As a corrective measure, all outlets are protected with a comprehensive insurance cover.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Ensuring customer safety within the supermarket premises | Business Strategies and Policies | Medium | Medium |

### 6. Supplier Stability, Compliance and Assessment

CCS depends on few key suppliers for some of the main raw material items due to the cost advantage, quality and ease 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. In most instances the company has entered in to contracts with suppliers securing volumes throughout the year.

The Company regularly conducts supplier audits to ensure that the raw materials comply with stipulated standards. We have successfully addressed this risk by periodic audits, monitoring and tracking supplier performance, periodic visits to supplier locations and ensuring guaranteed supply of materials. We also encourage and assist the suppliers to obtain ISO / HACCP certification and the Company gives the preference to the suppliers who has obtained such standards.

During the year a supplier impact assessment was carried out to determine whether the major suppliers of the Company had effective controls in Environment policy and Environment management systems, energy consumption, water consumption and discharge, Waste management, Emissions, noise impact, biodiversity health, compliance with relevant laws and safety and welfare of the supplier's employees. Questionnaires on details, of the above areas were given to the suppliers during site visits and feedback was received in the affirmative. The main suppliers of the company are assessed bi annually by the company.

# Enterprise Risk Management

JMSL has a supplier base close to a thousand suppliers and it is a challenge to liaise with all these suppliers in order to meet delivery schedules, standard of quality and to manage the impact to the environment. Failure in such areas will lead to bad image, negative perceptions and dissatisfied customers.

To mitigate this risk, long-term agreements are signed with the suppliers on trading terms such as minimum fill rate commitments, product returns policy and credit terms etc. Suppliers are required to have quality certifications/approvals according to their respective product categories as well as comply with all labour regulations. The company also believes in fostering strong relationships with suppliers in order to mitigate such risks, in addition to routine engagements with suppliers on operational matters where mutual benefit and respect are considered important values of the company. The best performing suppliers are recognised at the annual Supplier Convention.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Supplier Risk, Stability, Compliance and Assessment | Business strategies and policies | Low | Low |

### 7. Stability of Distribution Channels

Company depends on distributors to distribute its products to the market place to reach its end consumers. Stability of distribution channels largely depend on the viability and consistent performance of the distributors. It is extremely important to ensure the continuity of services and effectiveness of our distributors to distribute the Company products in the most effective manner across the country to reach the customers.

The Company has a stringent process for selection of distributors and monitors the distributor performance on an ongoing basis and guide and supports them to ensure the viability and growth of their business.

Regular monitoring distributor profit and loss accounts, payment of incentives to efficient distributors, guidance and ongoing dialogue with the distributors has enabled the company to manage the stability of the distributors.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Stability of Distribution Channels | Business strategies and policies | Low | Low |

### 8. Fraud and Corruption

The CCS Group 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 put these principles into practice. It is CCS 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 the CCS Group'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.
A comprehensive Authorisation Matrix, clearly defining the authorities and responsibilities of each employee, controls and procedure. All the outlets are covered by regular internal audits conducted by both company Internal Audit department & external audit firms.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Fraud and Corruption | Organisation and People | Insignificant | Insignificant |

### 9. Vulnerabilities From IT Related Risks

The CCS Group relies on Information Technology to obtain a competitive advantage, whilst recognising the need for stringent internal controls and IT governance policies. The JKH Group's IT governance structures and policies are followed by the CCS Group by having a disaster recovery readiness in all business systems. Dedicated professionals and use of appropriate software ensures continuity of business operations and safeguard from IT related risks including maintaining up to date virus definition files & firewalls, daily, weekly & monthly "onsite" and "offsite" data backups, enable cloud storage for all users, conduct quarterly internal audits by IT department based on a checklist and setting up of early warning mechanism to mitigate possible infrastructure failures.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Vulnerabilities from IT related Risks | Technology and Data | Low | Low |

### 10. 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 and governmental regulations. This risk could lead to impact company reputation, loss of market share, possible litigations and claims from the consumers 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, ISO 22000/ISO 9001 certification and continuous process improvement with the conduct of regular internal and external audits as applicable to the industries and product lines we operate in. The company has detailed product traceability and product recalls processes in case of such an event.

# Enterprise Risk Management

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Meeting Quality Expectations | Business Process | Medium | Medium |

### 11. Exposure to Credit Risk

Credit facilities are offered to the Company's customers in keeping with the business environment. This may expose the Company to default of payments and increased cost of operations due to bad debts. The Company mitigates such risk by distributor financing system, credit evaluation of dealers, holding of bank guarantees, approval of additional credit by category heads based on evaluation of creditworthiness together with measures to adequately safeguard exposures with sufficient asset backed securities.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Exposure to Credit Risk | Business strategies and policies | Low | Low |

### 12. Competitor Activities

CCS faces stiff competition from other producers of thirst quenchers and Frozen Confectionery products. JMSL competes with other modern trade chains in addition to the widespread general trade outlets. The company focuses on brand development, quality of the products, range of products offered and availability, competitive pricing, effective communications, and superior customer service to differentiate from the competition. There is a continuous improvement in each area of business to keep abreast of the competitors.

| Risk item | Headline Risk | 2015/16 Risk Rating | 2014/15 Risk Rating |
|---|---|---|---|
| Competitor Activities | External Environment | Low | Low |

# Business Review

## OPERATING ENVIRONMENT

### Economic Growth

Sri Lanka's Gross Domestic Product (GDP) expanded by 4.8% during 2015, led by improved performance in all three sectors. The growth in the Agriculture sector (+ 5.5%) reflects a normalisation of output after last year's drought with strong growth from paddy off-setting the sharp decline in tea, rubber and spices. The Industry sector grew by 3.0% supported by a recovery in manufacturing, although the performance of the construction sub-sector continued to be subdued. Strong growth in retail and wholesale trade together with the expansion in financial services enabled the Services sector to grow by 5.3% during the year.

Impact on Group - The conducive macro-economic fundamentals and the expansion in personal disposable income resulted in a consumption boom leading to strong growth in demand for the Group's products and retail services.

### Consumption Expenditure

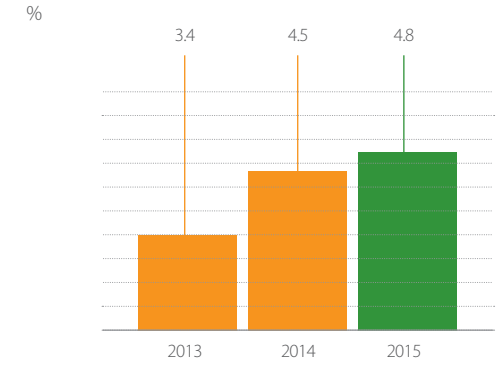
Private consumption expenditure grew by approximately 8.3% during 2015 and accounted for 70.1% of gross national income. Consumption growth during the year is attributed to the increase in public sector wages; budget mandated downward revision of fuel prices and several key consumer goods and the prevalent low interest rate scenario which drove private sector credit growth.

Impact on Group - Increased demand for consumable items resulted in strong volume growth in both Beverages and Frozen Confectionery categories while there was an increasing propensity towards the consumption of premium products. In Retail, rising consumption expenditure had a direct positive impact reflected in the growth of same store sales. The increase in footfall to the supermarkets can be attributed to consumers consolidating the purchasing basket in the supermarket in addition to acquiring new customers.

### Interest Rates

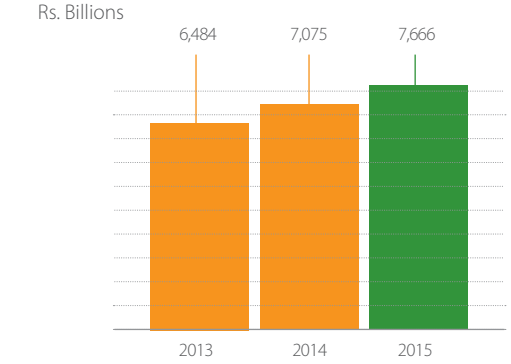
The Central Bank continued to maintain an accommodative monetary policy during 2015, and market interest rates continued to be relatively low. In February 2016, however, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) was increased by 50 bps, indicative of the Central Bank's intentions of tightening monetary policy, as a pre-emptive measure of containing inflationary pressures.

**GDP growth**



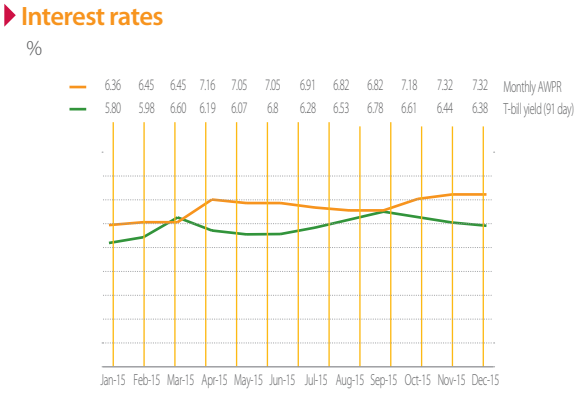

*Source: Central Bank of Sri Lanka*

**Private consumption expenditure**




*Source: Central Bank of Sri Lanka*

**Interest rates**




*Source: Central Bank of Sri Lanka*

# Business Review

Impact on Group - Favourable impact on overall profits through the reduction in funding costs.

## Inflation

The reduction in fuel costs and prices of several essential items, together with the global decline in commodity prices allowed inflation to be maintained at benign levels through most part of the year. Headline inflation was negative from July to September, before increasing gradually to 2.8% by end of 2015. Towards the latter part of the year, however, core inflation trended upwards reflecting increasing domestic demand pressures the indicating the need for a tighter monetary policy.

Impact on Group - The prevalent low inflationary environment led to increased spending on consumer goods, resulting in strong demand growth for both CCS and JMSL

## Exchange Rate

With the Central Bank allowing greater flexibility in the determination of exchange rates, the Sri Lankan Rupee depreciated by around 9% against the US Dollar during the year, attributing to the sharp increase in vehicle imports, interest and loan repayments on foreign debt as well as capital outflows from rupee denominated securities in expectation of rising interest rates in the USA.

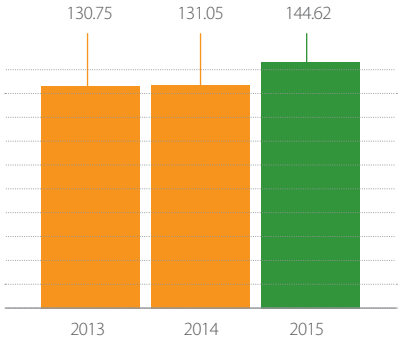
Impact on Group - Approximately 80% of raw materials used in the production of Beverages and ice cream is imported and the depreciation of the Rupee has resulted in higher import costs for the Group

## MARKET DYNAMICS

Changing market dynamics and opportunities and risks arising thereof, continue to shape our strategy and drive our people to deliver sustainable solutions. A few key trends and the Group's strategic responses to these trends are presented below.

### Exchange rate

LKR/USD




*Source: Central Bank of Sri Lanka*

## Increasing consumer propensity towards nutrition, health and wellness

Increasing health consciousness among consumers have led to a rising propensity to seek out food and Beverages which use natural ingredients, have a lower calorie count and are often diet, sugar free, or offer healthy varieties which deliver comparable taste and quality. Globally, the rising incidence of obesity and diabetes have affected sales of carbonated soft drinks, with global demand projected to grow at a Compound Annual Growth Rate (CAGR) of just over 2% over the period 2014-2019.

### *Our Strategic Response*

CCS has placed strategic emphasis on diversifying its product portfolio beyond the carbonated soft drink range and harnessing its research and development capabilities to facilitate the use of natural flavours and colours. New products launched in recent years include an isotonic drink in two flavours, fruit flavour based green tea, the launch of "Lime Crush" and four major flavours reducing the sugar calories significantly with the introduction of a sweetener extract from the Stevia plant which has a zero calorie-count. In ice cream, CCS has introduced two sugar free variants in the form of Vanilla Lite and Choco Lite. Both sugar free flavours have a substantially lower calorie-count. JMSL have focused on providing fresh and high quality produce to the consumer as a key strategy during the past few years. A major campaign was launched focusing on the fresh produce that were made available to consumers following a 4 step quality control process on competitive prices. Further, a Senior Dietician was appointed as the advisor to the

company on nutrition during the year. JMSL has focused on growing the organic foods range where the produce is sourced exclusively from certified organic farms. Our consumers have welcomed this relatively new range and the high demand has encouraged the company to further expand the organic range during the year.

### Increasing Regulation

The inequitable enforcement of regulations pertaining to product labelling can distort competition, particularly between locally manufactured Beverages and imported products. Over the medium to long-term the stringency of labelling regulations is anticipated to increase, impacting demand for our products and affecting growth.

#### *Our Strategic Response*

Whilst we agree that consumers should have an informed choice of food and Beverage items with adequate nutrition declarations, it is disappointing that the regulators target categories such as Beverages and attempt to almost instil fear in the consumer's mind. We are committed to, and will always support initiatives to encourage healthy lifestyles by consumers being made aware of a balanced intake of nutrition.

### Customer Sophistication

With the country's transition to a middle-income earning country, rising disposable incomes and a growing middle class has resulted in increased customer sophistication. This has resulted in rising demand for premium products and retail services. In the food and Beverages industry, there is growing preference for non-price characteristics such as convenience, quality and dietary diversity. In retail, Sri Lanka's penetration of modern trade has increased to 15% although relatively lower than its regional counterparts.

#### *Our Strategic Response*

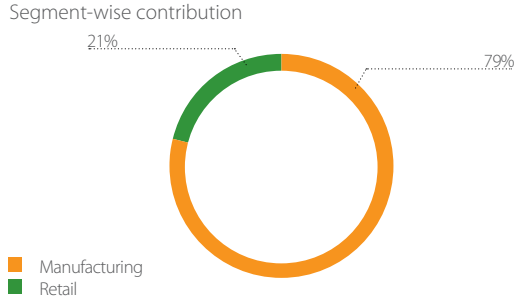
Widening our premium product range in Frozen Confectionery is a long-term strategic priority and during the year we added two new premium flavours to our product portfolio, namely Chocolate & Rum and Strawberry Seduction. In retail, over the last few years we have placed continued emphasis on improving store design, layouts and ambience with the objective of enhancing customer experience. Aggressive plans are in place to widen our share in the retail space of the country by expanding in the Colombo suburban region. JMSL opened 6 stores in Colombo and suburbs, during the year and all of them are performing up to expectations.

## OPERATIONAL REVIEW

The Group's key business lines are manufacturing and retail; the former consists of the manufacture and distribution of Beverages and Frozen Confectionery whilst retail comprises of the Keells Supermarket network. The latter is operated through JMSL, the Group's fully-owned subsidiary. The following section will provide a concise yet comprehensive analysis of the performance and outlook of the Group's key business categories, with emphasis on material aspects such as market leadership, financial performance, customer service and value chain development.

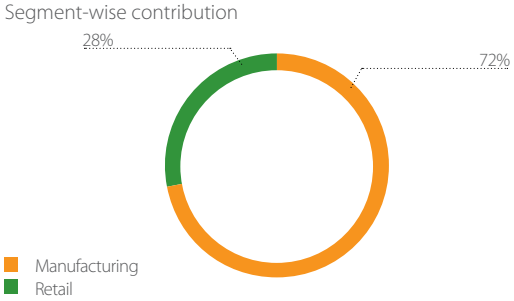
**Profit after tax**

Segment-wise contribution




**Assets**

Segment-wise contribution

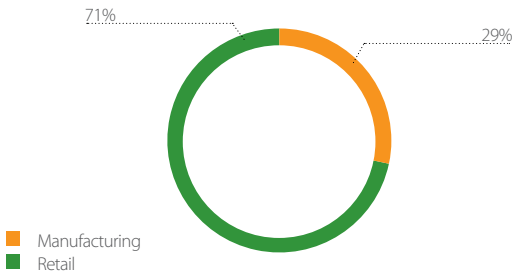


| GRI-G4 |
|---|
| G4-04 |
| G4-08 |
| G4-09 |

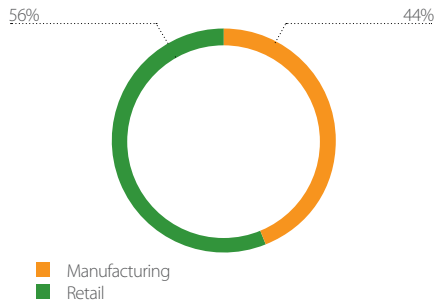
# Business Review

"The Beverages category performed exceptionally well during the year, achieving revenue growth of 24%. We also captured market share and further fortified our position as the market leader in Sri Lanka's carbonated soft drinks space, despite intense competitive pressures from international brands."

### Employees




### Carbon footprint




| | 2015/16 | 2014/15 | % |
|---|---|---|---|
| Revenue (Rs. mn) | 12,191 | 9,768 | 25% |
| Operating Profit (Rs. mn) | 2,949 | 1,601 | 84% |
| Operating Profit margin (%) | 24% | 16% | |
| Profit after tax (Rs. mn) | 2,281 | 1,176 | 94% |
| Assets (Rs. mn) | 14,359 | 13,143 | 9% |
| Equity | 11,185 | 10,619 | 5% |
| No. of employees | 963 | 950 | 1.05% |
| Profit per employee (Rs. mn) | 2.37 | 1.24 | 91% |
| Payments to Farmers (Rs. mn) | 82 | 56 | 46% |
| Carbon Footprint (MT) | 11,139 | 10,022 | 11% |

## MANUFACTURING

The largest contributor to Group profits, the Manufacturing arm turned in a year of stellar performance supported by smart strategy, effective implementation and favourable demand conditions. Revenue grew by 25% during the year to Rs. 12.19 bn, supported by strong volume expansion in both product lines as CCS adopted focused measures to ensure product availability and access to customers. Profitability margins widened due to higher capacity utilisation, a better product mix and increased cost efficiencies across the supply chain network. The segment also benefited from the prevalent low interest rate scenario with finance expenses declining (during the year under review). Overall the manufacturing segment's profit after tax grew significantly by 94% to reach Rs. 2.28 bn during the year.

## Beverages

### *Strategy and Performance*

The Beverages category performed exceptionally well during the year, achieving revenue growth of 24%. We also captured market share and further fortified our position as the market leader in Sri Lanka's carbonated soft drinks space, despite intense competitive pressures from international brands. The success of the year was underpinned by several strategic initiatives targeted at strengthening our distribution network and improving efficiencies.

### INDUSTRY SNAPSHOT-CARBONATED SOFT DRINKS (CSD)

- Estimated at 216 million litres annually with per capita consumption of approximately 10 litres
- The CSD market grew by an estimated 20% during the year supported by the consumption boom in 2015.
- Intensified competition between industry players
- Rising demand for larger pack sizes, has led to many brands replacing the 1.5 litre pack with a 2 litre pack at the same price, thus positioning value for money as a key strategy.

| GRI-G4 |
| --- |
| G4-04 |
| G4-08 |
| G4-09 |

### *Execution of an Effective Distribution Strategy*

During the year, we re-formulated and strengthened our distribution strategy by engaging closely with our network of distributors and taking steps to enhance their effectiveness and efficiency across over 80,000 retail outlets. We focused on optimising our distribution footprint through monitoring the profitability and financial viability of our distributors and ensuring the availability of the right product mix. This was facilitated by our sophisticated computerised Distributor Management System, which allows CCS to track a range of distributor performance indicators, including cost structures, profitability and cash management online through the system.

### *Improve Process Efficiencies*

Focus was placed on achieving cost efficiencies through increasing employee productivity, streamlining operations and adoption of several energy efficiency initiatives at the manufacturing plant (Refer to page 114 for further details on the Group's energy management initiatives) Resultantly, average cost per litre of Beverages declined by 8.8% during the year under review.

The Category effectively capitalised on the consumption boom during the year and retained its market leadership position resulting in revenue increasing by 25% during the year under review.

### *Investment in Employee Development*

Training initiatives during the year were mainly targeted towards the sales force and were designed to ensure that employees are equipped with the right skills to fulfil customer needs and market the optimum product mix. Incentive schemes were also reviewed during the year with focus on driving the Company's overall strategic objectives.

### *New Product Development*

In responding to changing consumer preferences, the category continued to diversify its Beverages portfolio beyond carbonated soft drinks while Research and Development efforts were also strengthened to develop healthier product formulations. During the year, we launched an isotonic drink in two flavours, the response to which has been encouraging. The all new "Lime Crush" was also introduced during the year, with a healthier formulation which carries a lower calorie count.

### *Developing our Business Partners*

The entirety of our ginger requirement is purchased from local farmers and during the year, we further expanded our purchasing coverage by procuring from the Gampaha region in the Western Province. Total payments made to Ginger suppliers amounted to RS. 65 mn during the year. We continued to focus on strengthening farmer capabilities by providing training on good agricultural practices in collaboration with the Agriculture Department.

## Frozen Confectionery

### *Strategy and Performance*

An optimum product mix and extensive geographical reach enabled the Company's Frozen Confectionery category to effectively capitalise on the consumption boom during the year and retain its market leadership position resulting in revenue increasing by 25% during the year under review. Targeted customer engagement, effective execution of our distribution strategy and increased premiumisation of our range enabled us to grow volumes in both take-home and impulse segments.

| GRI-G4 |
|---|
| G4-04 |
| G4-08 |
| G4-09 |

# Business Review

"We procure vanilla, treacle, ginger and cashew from an island-wide network of over 1,950 farmers"

## INDUSTRY SNAPSHOT-FROZEN CONFECTIONERY

- Estimated at 40 million litres per annum, while per capita ice cream consumption is around 2 litres, still below regional counterparts
- The market is expected to have grown by 18% during the year under review.
- The ice cream market comprises of the take home (bulk packs) and impulse segments (cups, sticks, cones). In Sri Lanka, the take home segment dominates sales although over recent years there has been strong growth in the impulse segment as well.

### *Strengthening Distributor Capabilities*

Our products are made available to customers island-wide, through a network of over 30,000 retail outlets and approximately 350 three-wheeler units which make up our mobile distribution arm. Availability of the necessary infrastructure including freezers and an uninterrupted power supply is vital in preserving our products and we continued to support our distributors through the provision of 7,950 freezers to selected outlets across the country. Similar to the Beverages segment, we also placed strategic emphasis on optimising our distribution network, through engaging closely and monitoring the performance of our distributors.

### *Premiumisation of Product Range*

Our premiumisation strategy is geared to effectively respond to increasing levels of sophistication among customers. During the year under review, we further extended our premium product offering with the introduction of two new flavours, namely Chocolate & Rum and Strawberry Seduction which are sold primarily through modern trade and A-grade outlet channels. Furthermore, a 100ml version of the already existing premium flavours was introduced to the market in the month of November. We see tremendous potential for expansion in this segment and will continue to pursue growth opportunities in the premium market.

### *Targeted Marketing*

The success of the year is also attributed to the focussed approach we adopted towards marketing and promotions. The marketing and promotional activities for the year were specifically tailored to suit the lifestyles and consumer preferences of specific geographical regions, enabling us to engage more effectively with our consumers.

### Empowering Farmers

The entirety of the agriculture based ingredients (excluding sugar) which are input to the production of ice cream is sourced locally. Accordingly, we procure vanilla, treacle, ginger and cashew from an island-wide network of over 1,950 farmers; payments to these farmers amounted to Rs. 82 mn during the year, an increase of 46% in comparison to 2014/15. Our value proposition to these farmers include guaranteed purchasing agreements, technical advice and training on sustainable agricultural practices, as well as provision of financial assistance during periods of crop failure (Refer to page 102 to 104 for further information on Supplier Development)

### Exports

Turnover from exports increased by 7% during the year, as we further consolidated our position as the market leader for ice cream in Maldives. We also pursued growth in our Beverage exports with focus on catering to the ethnic channels in the European, Middle Eastern and Australian regions. We have been successful in marketing our products through mainstream retail channels in these regions, including supermarket chains such as TESCO and ASDA in the United Kingdom.

| GRI-G4 |
|---|
| G4-04 |
| G4-08 |
| G4-09 |

## Way Forward and Outlook

With the anticipated tightening of monetary policy in 2016, we are aware that growth levels of 2015/16 are likely to moderate in the coming year. That said, we remain optimistic that consumer spending will continue to increase at relatively healthy rates. Sri Lanka's per capita consumption of soft drinks and ice creams is still relatively low in comparison to regional and developed economies, signalling the potential for growth in our manufacturing segment. We will continue to focus our efforts on enhancing customer experience through the launch of exciting new flavours and healthy variants in both our product categories. Strategic emphasis is also being placed on minimising the adverse environmental impacts of our products; plans are currently underway to source more eco-friendly packaging materials whilst research capabilities have been directed towards designing more environmentally friendly PET bottles and ice cream tubs.

## RETAIL

The Retail category achieved its best-ever performance during the year under review, recording revenue growth of 22% while profit for the period nearly tripled to Rs. 905 mn from Rs. 353 mn the year before. Performance was upheld by both organic growth, reflected by an increase in same store sales as well as inorganic growth and our unrelenting focus on process and cost efficiencies. We continue to be the industry benchmark in quality, as evinced by recent customer satisfaction surveys which rank our supermarkets ahead of competition in several aspects such as customer service, quality and freshness

| | 2015/16 | 2014/15 | % |
|---|---|---|---|
| Revenue (Rs. mn) | 22,146 | 18,186 | 22% |
| Operating Profit (Rs. mn) | 1,237 | 541 | 129% |
| OP margin (%) | 5.59% | 2.97% | |
| Profit after tax (Rs. mn) | 905 | 353 | 156% |
| Assets (Rs. mn) | 6,137 | 4,522 | 36% |
| Capital | 1,781 | 1,180 | 51% |
| No. of employees | 2,407 | 2,176 | 11% |
| Profit per employee | 0.38 | 0.16 | 132% |
| Retail outlets | 50 | 45 | 11% |
| Payments to farmers (Rs. mn) | 714 | 459 | 55% |
| Carbon Footprint | 13,976 | 12,790 | 9% |

## Strategy and Performance

### *Enhancements in store layouts*

Over the past few years, JMSL had placed emphasis on optimising its store layouts with focus on enhancing the overall customer experience through improvements in structure, design, merchandising as well as hygiene, cleanliness, air quality, temperature and lighting. Customer response and performance levels of the new format supermarkets have been above expectations and we will continue to adopt the same model for future expansions. Notably, Keells Super was the first retail chain in the country to obtain a Certificate of Conformity from the Sri Lanka Standards Institute for "Supermarket Management Systems". The criteria evaluated included environmental hygiene, production of food in bakeries and kitchens, cleaning, maintenance, temperature control, procedures for monitoring critical limits and traceability of products among others.

### SNAPSHOT OF SRI LANKA'S MODERN TRADE INDUSTRY

- The country's total retail sales are estimated at around Rs.4,000 billion and is estimated to have grown at a CAGR of around 10% between 2010 -2014 (Source: AT Kearney, Global Retail Development Index 2015)
- Modern trade is estimated to be approximately 15% of Sri Lanka's total retail market

| GRI-G4 |
|---|
| G4-04 |
| G4-08 |
| G4-09 |
| G4-12 |

# Business Review

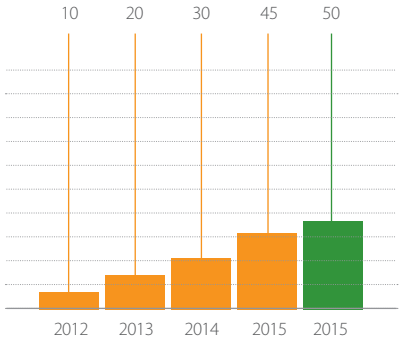
"Ongoing customer engagement initiatives ensure that we identify and understand changing customer needs and preferences and have allowed us to consistently enhance our offering and in-store experience"

## *Expansion Drive*

Having refined its operating model, JMSL pursued an expansion drive during the year under review, adding 6 new format outlets to its network, primarily in Colombo and suburbs. JMSL now operates a total of 50 supermarkets, including 7 in outstation areas.

**Keells Super outlets**

No. of outlets



## *Customer Engagement*

Ongoing customer engagement initiatives ensure that we identify and understand changing customer needs and preferences and these have allowed us to consistently enhance our offering and in-store experience. Customer surveys are conducted on a regular basis allowing us to obtain feedback on all aspects of our operations including customer service, quality of food and ambiance of outlets. During the year, such surveys were administered to over 2,000 individuals and the results have demonstrated substantial improvements in several customer related parameters. We also engage 'Mystery Shoppers' on an ad-hoc basis to identify areas for further improvement.

## *Developing our Business Partners*

JMSL procures fresh fruits and vegetables from a network of over 550 farmers through four collection centres in Thambuttegama, Suriyawewa, Nuwara Eliya, Sigiriya and Jaffna. During the year, total payments to these suppliers increased by 55% to Rs. 714 mn. Our value proposition also includes the ongoing provision of technical knowledge aimed at improving the quality and quantity of produce. During the year, we engaged proactively with our farmer networks to ensure the continuous supply of products, which translated to better availability to our customers. (Please refer page 102 to 104 for further details on the Group's supply chain partners)

## *Nexus Mobile*

The Nexus Mobile platform launched in December 2014, completed a full year of operation during the period under review. The active member base increased by 73% during 2015/16 while the total transactions and value generated through the Nexus programme also grew by a respective 72% and 87%. The launch of this platform also enabled us to further enhance our customer value proposition through year-round special offers, discounts and promotions.

GRI-G4
G4-09

"The CCS Group recorded remarkable growth during the year to achieve the highest-ever revenue and profits in the Group's operating history, generating sustainable value for its shareholders"

*Way Forward and Outlook*

Sri Lanka's modern retail trade penetration is still relatively low, presenting significant potential for growth over the medium to long-term. Growing disposable incomes, increasing customer sophistication and rapid urbanisation is anticipated to be a catalyst in this growth. Having established a strong platform for growth with its new-format supermarkets, JMSL intends to pursue aggressive expansion of its network over the next few years, consolidating its market position as the most customer-centric supermarket chain.

## THE GROUP'S RESOURCE ALLOCATION AND VALUE CREATION

In this integrated report, the Group's resource allocation and value creation is discussed in relation to the six types of capital that have been defined in the guidelines prescribed by the Integrated Reporting Framework issued by the IIRC. The subsequent Value Creation Report provides a comprehensive and balanced analysis of the six capitals that are input into the Group's business (financial, manufactured, human, social and relationship, intellectual and natural capital) and how they are altered during the value creation process to economic, social and environmental impacts.

## FINANCIAL AND MANUFACTURED CAPITAL

The CCS Group recorded remarkable growth during the year to achieve the highest-ever revenue and profits in the Group's operating history, generating sustainable value for its shareholders. The success of the year was a result of leveraging the CCS Company's market-winning product portfolio, effectiveness of its distribution strategy, and continued expansion in its geographical reach whilst the success of the retail category is attributed to increased same store sales, strategies to optimise the product mix, targeted marketing campaigns as well as the continued expansion of the store network.

**Inputs**

Total equity Rs 12.35bn
Interest bearing borrowings Rs 667 mn
Market Capitalisation Rs 40.87bn
Interest earned from investments Rs 140 mn

**Activities**

Brand building activities Rs 613 mn
Capital expenditure Rs. 1.37 bn

**Value Outputs**

Earnings per share- Rs 30.25
Earnings attributable to shareholders- Rs 2.87 bn
Dividends paid- Rs 1.7 bn
Interest paid to funding providers- Rs 12 mn

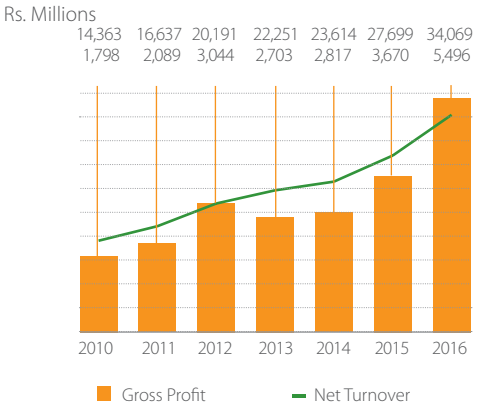
### Income Statement

*Revenue*

The Group's revenue grew by 23% to Rs. 34.07 bn during the year under review, upheld by strong growth in both the manufacturing and retail segments. Revenue from manufacturing increased by 25% and accounted for 36% of the Group's consolidated revenue. Top line growth in the manufacturing sector was supported by double digit volume growth and an improved product mix in both Beverages and Frozen Confectionery. The retail segment, represented by JMSL also charted strong expansion with revenue growing by 22% to Rs. 22.15 bn, a result of increased customer footfall at the same store level as well contributions stemming from the new stores opened during the year.

# Business Review

## Net Turnover and Gross Profit




### *Cost of Sales and Gross Profit*

The Group's gross profit widened by 50% to Rs. 5.5 bn during the year, translating to a GP margin of 16% compared to 13% in the preceding year. In the Manufacturing sector, margins were upheld by a 11% drop in sugar prices in line with the global decline in commodity prices, together with increased capacity utilisation levels and the budget mandated reduction in fuel and energy prices. In the retail sector, increased same store revenue resulted in wider profitability margins at store level.

### *Operating Expenses*

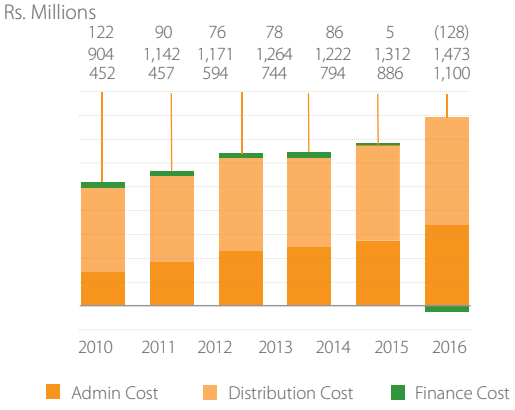
Operating expenses increased by 17% to Rs. 3.16 bn during the year, primarily due to administrative expenses rising by 24% during the year. This is largely attributed to increased employee costs arising from the expansion of our physical infrastructure with the addition of 6 new supermarkets to our network.

Sales and Distribution expenses continue to be the most significant operating expense for the Group; however, growth in this cost component was contained to 12% during the year as the Company placed strategic emphasis on strengthening and streamlining its distribution network, thereby generating substantial cost efficiencies.

Other operating expenses comprise of NBT, product spoilage, wastages and expiry in the retail market; these expenses grew by 15% during the year.

Meanwhile other operating income increased by 30% to Rs.1.6 billion primarily due to an increase in promotional income at JMSL.

## Overhead Cost Analysis




### *Profit from Operations*

Consolidated profit from operations almost doubled to Rs. 3.90 bn during the year, with the manufacturing and retail segments contributing a respective 76% and 24% to Group operating profit. Manufacturing sector operating profit surged by nearly 84%, reflecting strong volume growth as well as significant manufacturing and distribution efficiencies. Meanwhile, the Retail sector saw its operating profit growing to Rs. 1.2 bn, attributed to improved same store profitability as well as contributions from the new outlets added during the year. The Group operating profit margin widened to 11% from 8% the previous year, as higher capacity levels, improved process efficiencies, increased staff productivity levels and shifts to premium products and services upheld profitability in both key business lines.

### *Change in Fair Value of Investment Property*

Fair value of the freehold land situated in Trincomalee increased by Rs. 16.9 million during the year under review.

### *Net Finance Income/(Cost)*

Finance cost for the year amounted to Rs. 11.56 mn compared to a finance cost of Rs. 60.52 mn the previous year as the Group benefited from the low interest and enhanced cash flows. The Group's strong financial position and healthy performance also enabled it to obtain funding at more favourable interest rates in comparison to SLIBOR. Meanwhile, the Group's strong cash flow generation allowed it to be invested in short-term securities, resulting in earning a healthy interest income where the financial income doubled to Rs. 139.89 mn during the year. At a net level, the Group generated a net finance income of Rs. 128.32 mn in 2015/16, compared to a net finance expense of Rs. 4.84 mn in the previous year.

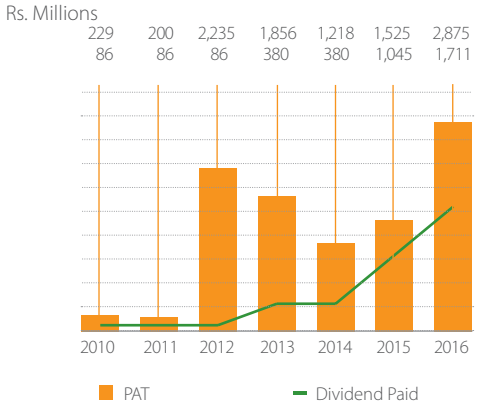
### *Taxation*

The Group's total tax expense for the year increased to Rs. 1.15 bn in line with the strong increase in profits. The effective tax rate of 28% saw a slight decrease of 1% in comparison to the previous year. Manufacturing sector tax expense grew by 71% to Rs. 772.17 mn while the retail sector saw its taxation charge increased by 136% to Rs. 373.09 mn.

### *Profit After Tax*

Consolidated profit after tax for the year ending 31st March 2016 surged 88% to a record high of Rs. 2.87 bn. Consequently, the Group's Return on Assets (ROA) also widened to 15.83%, from 9.51% in 2014/15.

**Profit After Tax and Dividend Paid**



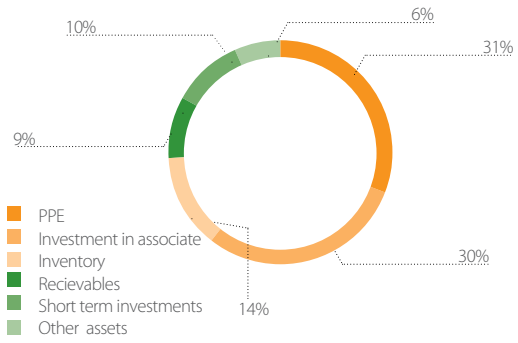

"Consolidated profit after tax for the year ending 31st March 2016 surged 88% to a record high of Rs. 2.87 bn"

## Statement of financial position

### *Total Assets*

The Group's total asset base expanded by 20% to Rs. 19.83 bn primarily due to additions to fixed assets. Increase in working capital is in line with the higher operational activity during the year and an increase in short term investments. The Retail segment's assets increased by 36% while the Manufacturing sector's assets also grew by 9% during the year.

**Asset Composition**




### *Manufactured Capital*

The Integrated Reporting Framework defines manufactured capital as manufactured physical objects that are available to an organisation for use in the production of goods or the provision of services, including buildings, equipment and infrastructure. The Group's manufactured capital consists of buildings, machinery and equipment used in its two factories as well as the physical infrastructure of its supermarket network. During the year, the Group added value to its manufactured capital through capex of Rs. 1.37 bn. This comprised of Rs. 831 mn incurred by the Retail sector in setting up 6 new outlets during the year and Rs. 543 mn by the Manufacturing sector in the upkeep and maintenance of machinery and equipment.

# Business Review

"Total dividend payments to shareholders amounted to Rs. 1.7 bn, an increase of 64% compared to the previous year"

## *Working Capital*

The Group continued to focus on working capital management and cash generation. The Group's current ratio also improved to 1.15 times from 1.10 the year before.

## *Funding Structure and Gearing*

The Group's funding profile was dominated by shareholder's equity funding of its assets during the year. Shareholder's funds increased by 16% to reach Rs. 12.35 bn by end-March 2016, supported by strong profit generation during the year. Total borrowings declined by 6% during the year to Rs. 667 mn, translating to a gearing ratio of 5.41% and Interest cover of 333.8 times

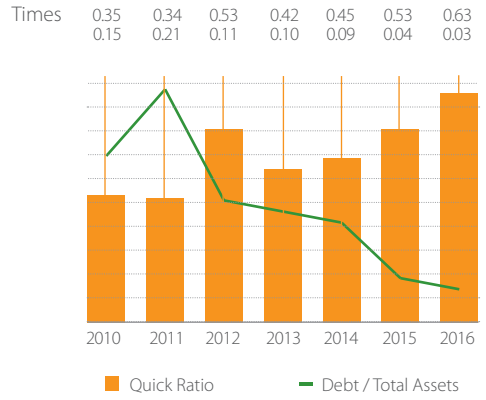
## *Cash Flow and Liquidity*

The increased business volumes and operational activity during the year resulted in a parallel growth in cash flow generation. Net cash from operating activities increased by 64% to Rs. 4.44 bn. Net cash outflows for investing activities amounted to Rs. 1.4 bn, mainly due to investments in the addition of 6 Keells Super outlets during the year. The Group's liquidity position was strong with Cash and Cash Equivalents of Rs. 1.71 bn by end-March 2016, which amounted to 9% of total assets.

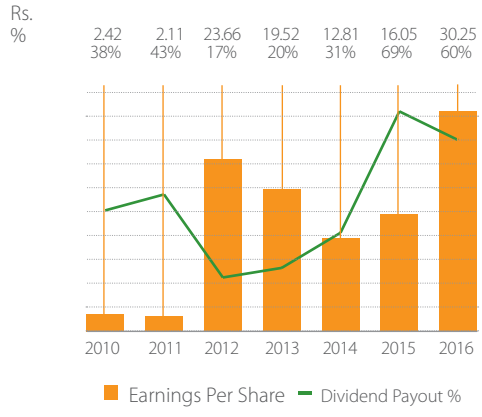
## *Shareholder Returns*

Earnings per share almost doubled to Rs. 30.25 during the year while dividends per share amounted to Rs. 18.00 during the year. Total dividend payments to shareholders amounted to Rs. 1.7 bn, an increase of 64% compared to the previous year. The Group's share price increased by 44% to close the year at Rs. 430.00, reflecting exceptional growth despite the subdued performance of the Colombo Stock Exchange which saw the overall All Share Price Index dipping to a two year low in February 2016.

### Liquidity & Borrowings

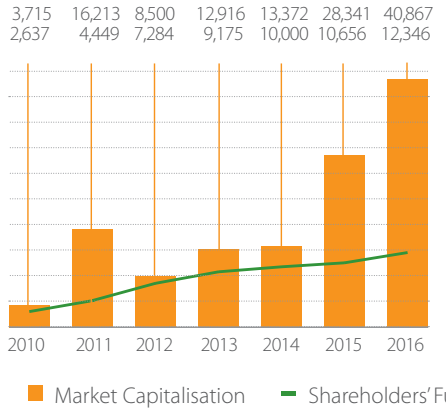



### Earnings Per Share Vs Dividend Payout %



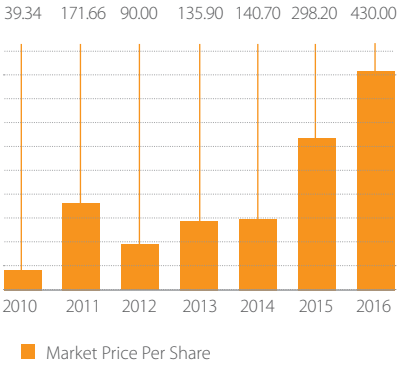
## Market Capitalisation vs Shareholders' Funds

Rs. Millions



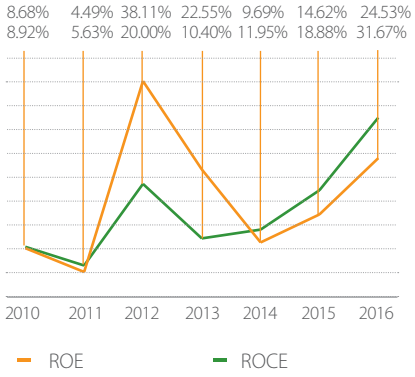

## Market Price Per Share

Rs.



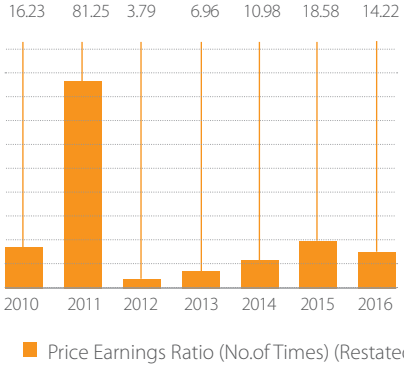

## ROE Vs ROCE

%



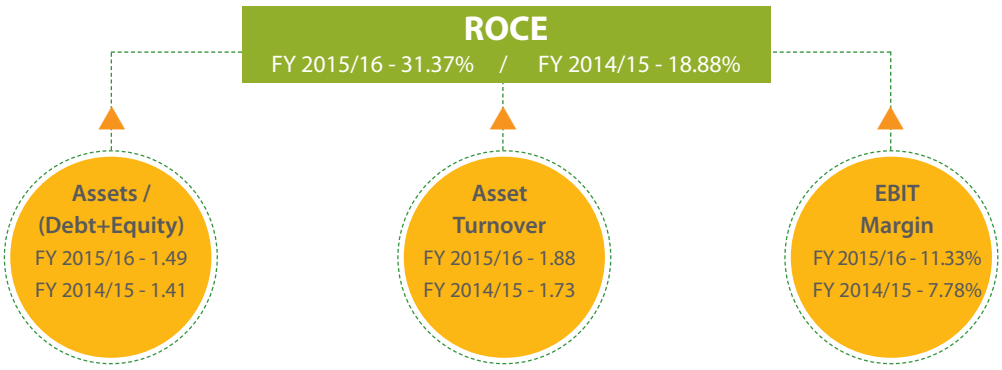

## Price Earnings Ratio (No.of Times) (Restated)

No. of times




## ROCE DECOMPOSITION

ROCE has improved to 31.67% at a Group level against last year's 18.88% excluding gains from the surrender of lease rights. The expansion of the ROCE was supported by the combined effect of improving EBIT margins and asset utilisation, both by the Company and the Subsidiary



## SOCIAL AND RELATIONSHIP CAPITAL

| Material Aspects Discussed in This Section | | | | | | |
|---|---|---|---|---|---|---|
| Customer Health and Safety | Market Reach | Regulatory Compliance | Product labelling and marketing communications | Value for Money and quality | Product Innovation | Customer Service |
| Procurement Practices | Efficient distributor network | Developing livelihoods | | | | |

The primary Social and Relationship Capital that is input to our value creation process are the long-term relationships we have nurtured and developed with our customers, business partners, communities, industry associations as well as the government. The Group's brand and reputation, built over many decades of successful operations is also a vital element of this capital input and is essential to maintain our social licence to operate. The subsequent section of this Report will provide a concise yet balanced assessment of the capital resources allocated and the shared value generated to each component of our Social and Relationship capital

## CUSTOMER VALUE CREATION

### Customer Value- Highlights of the year

| Inputs | Activities | Value Outputs/ Outcomes |
|---|---|---|
| ⊙ Long-term relationships with our consumers | ⊙ Ongoing investment in new product development | ⊙ Introduction of new products |
| ⊙ 50 Retail outlets | ⊙ Conducted customer surveys targeting our retail clients | ⊙ Enhanced customer satisfaction |
| ⊙ Trusted brands | ⊙ Brand building activities and consumer promotions | ⊙ Increased market share in beverages and ice cream |
| | | ⊙ Increase in customer footfall at our retail outlets |

| GRI-G4 |
| --- |
| G4-PR7 |
| G4-PR9 |

# Business Review

## Our Customers

The customers of our Beverage and ice cream products and patrons of our supermarket network are a crucial component of our value creation process. We are committed towards effectively responding to changing customer preferences through delivering the products and services to our customers expectations, at the right time and price. Other aspects of our value proposition include customer engagement, product responsibility, product and service labelling and marketing communications.

### *Our Approach*

The key principles of our customer management framework are

- Responding to consumer needs through diverse product offerings and excellent customer service
- Engage in responsible advertising and marketing campaigns
- Creating greater customer awareness to reinforce our value proposition
- Structured product traceability mechanisms

### *Customer Engagement*

We engage with our customers through regular satisfaction surveys, which enable us to understand disposition towards our brands, customer behaviour and trends which form a key input to our marketing strategy. Other engagement mechanisms include face to face meetings, interaction through social media and a dedicated hotline which enables customers to report their concerns and provide feedback. During the year, there were no incidents of non-compliance with regulations pertaining to any type of marketing communications.

### *Product Quality*

Superior product quality is a vital element of our competitive advantage and we have obtained multiple accreditations which provide assurance to stakeholders regarding the quality of our products and services.

**ISO 22000:2005 Food Safety Management**

- Demonstrates ability to control food safety hazards to ensure that food is safe for human consumption.

**ISO 9001: Quality Management**

- Ensures that products and services meet customers quality requirements

**OHSAS 18001: Occupational Health ad Safety**

- Ensures that the occupational health and safety management systems eliminate or minimise risk to employees and other interested parties who may be exposed to occupational health and safety risks associated with its activities.

### *Customer Health and Safety*

The Beverages and Frozen Confectionery categories are governed by the Food Act No. 26 of 1980 and subsequent amendments thereto. The Company is also fully compliant with the Flavouring substances and Flavour enhances guidelines prescribed by the Food Advisory Committee of the Ministry of Health. We are committed to the use

| GRI-G4 |
|---|
| G4-PR3 |
| G4-PR9 |

of the highest quality ingredients which conform to all regulatory requirements as well as global best practices. As an ongoing focus area, we have also continued to harness our research capabilities to respond effectively to customers' increasing propensity towards healthy and nutritious food. With the launch of isotonic drinks and fruit flavoured green tea we have diversified our product portfolio from the carbonated drinks segment while in Frozen Confectionery, we have introduced several low calorie variants. In addition to ensuring the quality and freshness of produce displayed within the supermarket, the company have stringent control measures to ensure that expired items are not carried in the shelves and optimum temperature is maintained in all refrigeration equipment.

| Product Labelling | % of Products Containing Labelling info on | |
|---|---|---|
| | Ingredients Used | Responsible Disposal of Product |
| Soft drinks | 100% | 66% |
| Ice cream | 100% | 100% |
| Retail | 49% | 100% |

### *Product Labelling*

Product labelling requirements are also governed by the Food (Labelling and Advertising) regulation of 2005 and include disclosures on date of manufacture and expiry, complete list of ingredients and instructions for storage. In addition to the mandatory disclosures, we have also voluntarily displayed the nutritional composition of our soft drinks on the PET bottles and in a range of cans. During the year under review, there were no incidents of fines/penalties imposed on the Group due to the non-compliance of any product labelling regulation. Stringency of product labelling regulations is anticipated to increase over the next few years and we intend to proactively engage with the regulators to encourage the judicious enforcement of such laws with the objective of providing value added information to customers and promoting choice.

## Business Partners

### *Business Partner Value Creation-Highlights of the Year*

**Inputs**

Win-win relationships with over 2,500 farmers and 1850 suppliers

Constructive relationships with our island-wide distributors

**Activities**

Guaranteed pricing through forward contracts

Investment in outlet infrastructure Rs 831 mn

Distributor incentives paid Rs 137 mn

Investment in distributor cold storage Rs. 146 mn

Total payments to suppliers: Rs 25.2 bn

**Value Outputs / Outcomes**

Total quantities purchased from farmer network: 7,280 MT

Total sales generated through distributions- RS. 12.19

# Business Review

## Distributors

The Company's distributors comprise of parties who distribute our products to our island-wide retail channels, facilitating our link with the end-customer. Our approach towards distributor management is based on mutually beneficial relationships and provision of guidance and advice to ensure their viability and sustainable performance.

### *Distribution Network*

The network comprises of 157 distributors, who supply our products to over 90,000 retailers island-wide. They create an effective platform for engagement with our end-customers and form an integral part of our Relationship Capital. Our value proposition to them includes high levels of engagement, incentive schemes and provision of ongoing support on maintaining profitability and cash management. Stringent distributor evaluation criteria, periodic distributor audits/ visits and consistent monitoring of their KPIs through the Distributor Management System ensure that we remain aware of the efficiency and effectiveness of our distributor network. During the year, total sales to distributors amounted to Rs. 12.19 bn, an increase of 25% in comparison to the previous year. The Company has an advanced Distributor Management System that monitors distributor performance on an on-going basis.

| Province | No. of Distributors |
|---|---|
| Central | 14 |
| Eastern | 9 |
| North Central | 7 |
| North Western | 13 |
| Northern | 10 |
| Sabaragamuwa | 11 |
| Southern | 19 |
| Uva | 5 |
| Western | 69 |
| Total | 157 |

| Length of relationship | Number of distributors | % |
|---|---|---|
| < 2 years | 28 | 18 |
| 3-10 years | 78 | 50 |
| 11-20 years | 35 | 22 |
| 21-50 years | 12 | 8 |
| >50 years | 4 | 2 |
| Total | 157 | 100 |

## Suppliers

The Group sources ingredients, raw materials, packaging material and trading goods from over 4,300 local and international suppliers and farmers. Agriculture based ingredients such as ginger, vanilla, treacle and jaggery and fresh milk which are inputs in the manufacture of Beverages and ice creams are sourced locally in its entirety. JMSL sourced over 7,000 tonnes of vegetables and fruits via the collection centre network during the year. In addition to the farmer community, JMSL is dependent on its supplier base of close to 1,000 suppliers to provide the rest of the range of products to the customer. The scale of the suppliers range from the multinational entities to cottage industries. The suppliers we work with are crucial to the continuity of our business, and we strive to create an enabling environment for them, which in turn ensures that we secure a sustainable supply chain.

The Group's key suppliers can be categorised as follows;

Our approach towards generating mutual value with our suppliers is based on several key principles;

## *Supplier Assessment*

### *Value Creation*

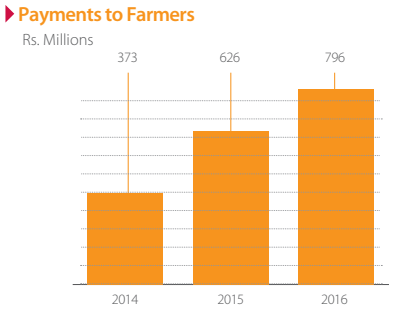
Our value proposition to the farming communities we work with are multi-faceted and consist primarily of the following aspects;

- Farmer Empowerment

Through continuous engagement, the Group continues to support the livelihoods of over 2,500 farmers. We purchase Ginger, Vanilla Beans, Treacle, Kithul, Jaggery as well as fresh fruits and vegetables through this extensive network of farmers. Assured pricing through forward contracts has ensured a relatively steady income stream for farmers, supporting their socio economic progress and enabling the Group to nurture sustainable, mutually beneficial relationships. During the year, total payments to our out-grower network increased to Rs. 82.4 mn.

JMSL sourced directly from over 550 farmers during the year and the value of purchase was Rs.714 mn. The collection centre network of the company has provided local communities a consistent buyer of produce with fair trading terms and prices. As part of our sustainable sourcing initiatives training sessions were conducted for our farmers over the course of the year. Two technical sessions were conducted in Suriyawewa and Thambuttegama. In addition, three sessions, one each in Suriyawewa, Thambuttegama and Nuwara Eliya were held to disseminate knowledge on Good Agricultural Practices (GAP) and enhance the scientific approach to sustainable agriculture in collaboration with the Agriculture Department. Further, our Extension Officers and Collection Centre managers work with farmers in all our sourcing regions providing guidance to farmers as and when required.

# Business Review




## *Agriculture Extension Services*

We continue to work with farmer communities and grower associations in propagating good agricultural practices with the objective of ensuring long-term agricultural productivity and minimising the degradation of natural resources. We also provide agricultural machinery, fertilizers and technical guidance on new cultivation methods to enhance the quality of the produce.

## The Government and Regulators

The Group is required to comply with the product labelling requirements specified in the Food Act No. 26 of 1980, the regulations contained in the Food (labelling and advertising) Regulations 2005, the Consumer Affairs Authority Act No. 9 of 2003, and the International Chamber of Commerce (ICC) code of Advertising and Marketing Communications for all our products. In addition, we contribute to the national exchequer by way of income tax payments, which for the year under review amounted to Rs. 1.15 bn.

Through active membership in several industry bodies and associations, we also proactively engage with the government and regulators in enhancing industry infrastructure and promoting Sri Lanka's competitive position on an international platform.

| Produce | No. of Beneficiary Farmers | Volume Purchased (Kg) | Total Payments (Rs. mn) |
|---|---|---|---|
| **Manufacturing** | | | |
| Ginger | | | |
| Sourced from farmers in the Kandy District as well as Colombo, Gampaha and Kalutara | 375 | 52,949 | 65.5 |
| Vanilla | | | |
| Sourced from several Kandy suburban areas in partnership with the Vanilla Growers' Association | 1,500 | 220 | 2.6 |
| Treacle | | | |
| Sourced from Waralla and Deniyaya | 15 | 43,207 | 5.6 |
| Jaggery | | | |
| Sourced from the Agriculture Self Employment Society of Neluwa | 60 | 16,432 | 8.6 |
| **Retail** | | | |
| Thambuttegama collection centre | | | |
| Purchased from farmers in Mahaweli H region. Big onions are purchased from farmer associations in the North Central Province, through a project initiated by the US AID | 155 | 2,558,838 | 216.4 |
| Suriyawewa collection centre | | | |
| Source low country vegetables and fruits from Walawa Mahaweli region in the Southern Province | 160 | 3,026,314 | 224.1 |
| Nuwara Eliya collection centre | | | |
| A vegetable collection centre operated by the Nuwara Eliya Agriculturual Cooperative Society | 180 | 987,474 | 203.4 |
| Jaffna | | | |
| Sourcing of fruits, vegetables and fruits | 38 | 209,346 | 34.8 |
| Sigiriya Collection Centre | | | |
| Sourcing of vegetables and fruits | 25 | 386,069 | 35.2 |

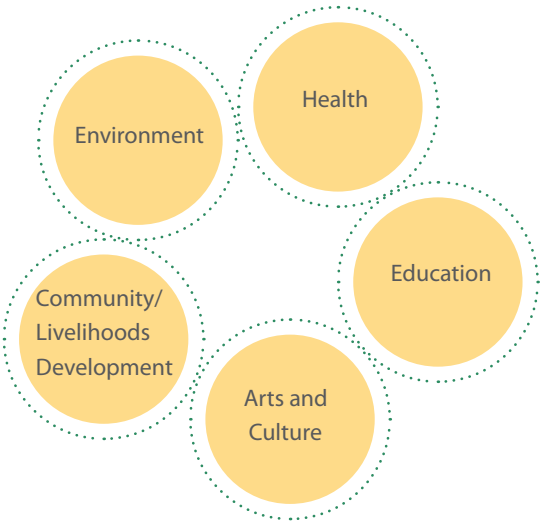
| GRI-G4 |
|---|
| G4-16 |
| G4-SO1 |

## Industry Associations in Which CCS Holds Membership

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

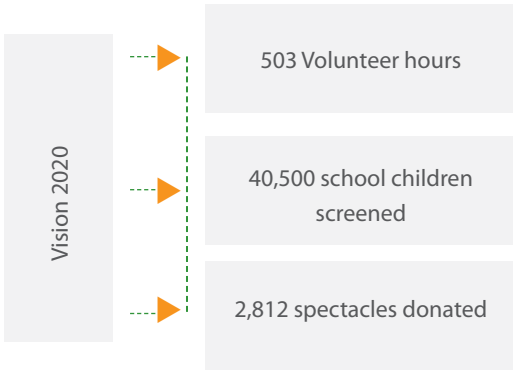
## Community Engagement

As a subsidiary of John Keells Holdings PLC, our community engagement initiatives are aligned to the strategic Corporate Social Responsibility (CSR) objectives of our parent entity. As such, all community engagement initiatives are formulated, implemented and monitored by the John Keells Foundation, the JKH Group's dedicated CSR arm. The CCS Group, along with all JKH companies annually contributes a minimum of 1% of our net profit to the Foundation, which operates with the vision of "Empowering the Nation for Tomorrow". Through its multi-faceted activities, the Foundation has directly empowered over 2.5 million people, with strategic focus on the following areas of development;




## *Vision 2020*

During the year, the CCS Group in collaboration with the John Keells Foundation and the Ministry of Health engaged in the sponsorship and support of the School Vision Screening programme in the Colombo District, which includes the donation of around 3600 prescription eye glasses annually. As an initial step, the first batch of 100 spectacles were distributed to needy school children in the Colombo District who had on an earlier date been identified for low vision or refractive errors. Since November 2015, vision screening has been conducted in 81 schools, testing over 40,500 school children with the help of CCS volunteers and spectacles donated to 2,812 school children. Over 40 CCS employees volunteered for this initiative during the reporting year, dedicating more than 503 volunteer hours in 119 instances.



| GRI-G4 |
|---|
| G4-09 |
| G4-10 |

# Business Review

## HUMAN CAPITAL

| Material Aspects Discussed in this Section | |
|---|---|
| Remuneration and Rewards | Employee Health and Safety |

### Human Capital- Highlights of the year

**Inputs**

- 3,370 employees
- Experienced and highly-skilled leadership team
- High performance oriented culture
- Governance structures and policy frameworks

**Activities**

- Invested Rs 51 mn in training
- Performance appraisals for all executive staff
- Conducted employee satisfaction surveys
- Provided conducive work environment
- Health and Safety

**Value Outputs / Outcomes**

- Value outputs and outcomes
- Total payments to employees- Rs 3.2 bn
- New jobs created-2,650
- Promotions-40
- Training hrs- 85,533 hrs

The Group's team of 3,370 employees, drive our strategy, facilitate our customer experience and ensure the long-term sustainability of our business. We in turn, strive to provide rewarding careers which engage, empower and develop people. The Group's people strategy is aimed at developing an empowered resource pool which forms a vital part of the Group's overall strategy. The subsequent report details how we add sustainable value to our human capital through attracting, developing and retaining talent.

The key principles of the Group's Human Capital approach are;

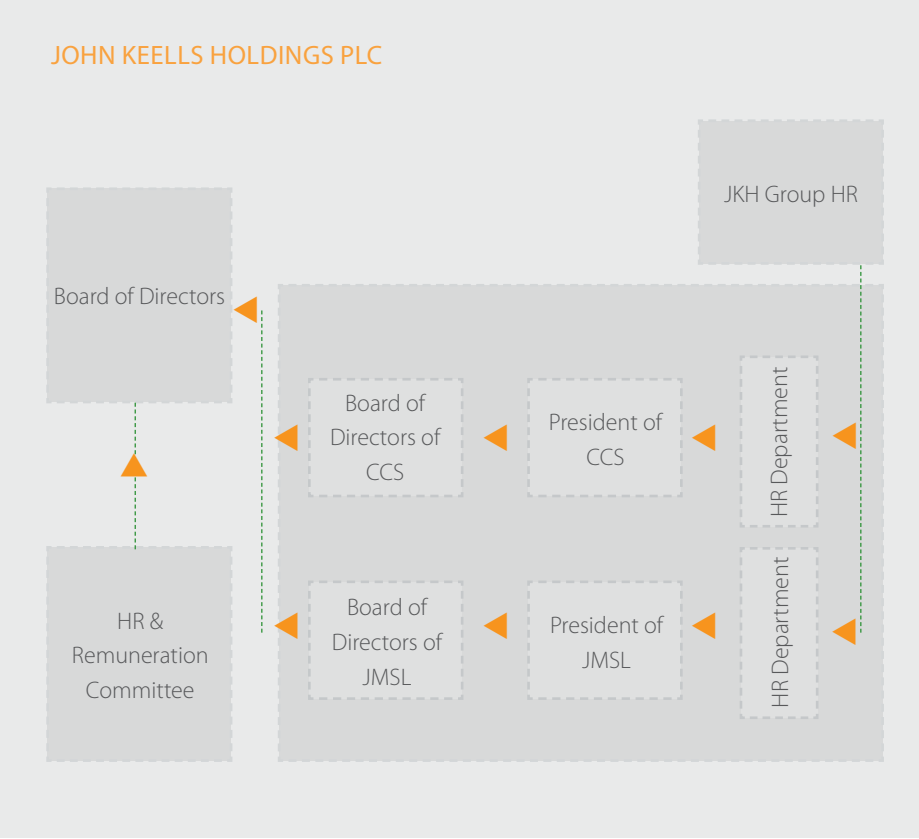
- Promote Diversity and Equality in Recruitment, Retention and Promotion
- Preserve Dignity of Labour
- Freedom of Association and Collective Bargaining
- Developing a Learning Culture
- Empowerment and Career Progression

"The Group's people strategy is aimed at developing an empowered resource pool which forms a vital part of the Group's overall strategy"

| GRI-G4 |
|---|
| G4-09 |
| G4-10 |
| G4-HR05 |
| G4-HR06 |

## Human Capital Governance

The Group's comprehensive HR policy framework is aligned to that of the Parent entity, John Keells Holdings and covers all aspects of people management including recruitment, rewards and recognition, performance management, industrial relations and grievance mechanisms among others. The policies ensure compliance with regulatory requirements including the prohibition of child labour and forced/compulsory labour. In addition to these policies, our employees are also governed by the John Keells Group's Code of Conduct which is communicated to all employees during orientation and through the staff intranet. We are an equal opportunity employer and do not discriminate on gender, age, ethnicity or sexual orientation. The HR governance structure of the Organisation is as follows;



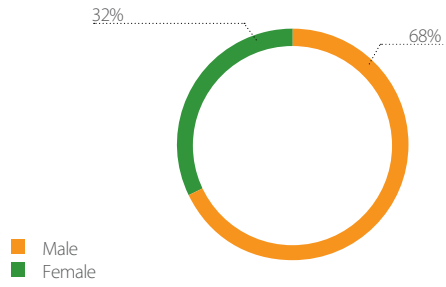

## *Team Profile*

Our diverse and dynamic pool consists of 3,370 employees, comprising 963 in the Manufacturing segment and 2,407 in the Retail arm. In addition, we also engage 661 personnel through outsourced operations such as janitorial, security services and contract labour, primarily at subsidiary level.

### *Employment by contract and gender*

| | Male | Female | Total |
|---|---|---|---|
| Permanent | 1,486 | 496 | 1,982 |
| Probation / Training | 46 | 34 | 80 |
| Contract | 767 | 541 | 1,308 |
| Total | 2,299 | 1,071 | 3,370 |

### Gender Analysis



| GRI-G4 |
|---|
| G4-09 |
| G4-10 |
| G4-LA1 |

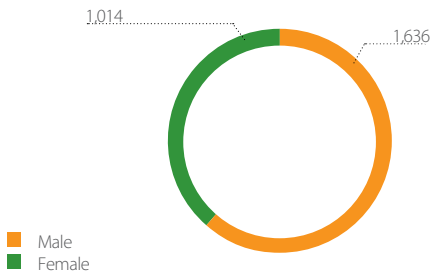
# Business Review

*Employment by grade and gender*

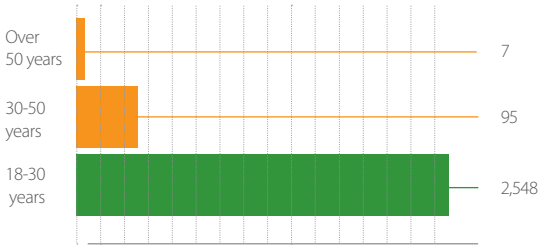
| | Male | Female | Total |
|---|---|---|---|
| AVP and above | 19 | 3 | 22 |
| Managers | 42 | 7 | 49 |
| Assistant Managers | 98 | 7 | 105 |
| Executives | 316 | 70 | 386 |
| Non-Executives | 1,824 | 984 | 2,808 |
| Total | 2,299 | 1,071 | 3,370 |

| Province | Male | Female | Total |
|---|---|---|---|
| Western | 1,229 | 353 | 1,582 |
| Central | 301 | 166 | 467 |
| Southern | 314 | 240 | 554 |
| North Central | 65 | 36 | 101 |
| Northern | 21 | 2 | 23 |
| North Western | 125 | 87 | 212 |
| Eastern | 25 | 8 | 33 |
| Sabaragamuwa | 120 | 103 | 223 |
| Uva | 99 | 76 | 175 |
| Total | 2,299 | 1,071 | 3,370 |

## New Recruits by Gender




## New Recruits by Age




*Talent Attraction*

The Group's strong brand, heritage of over 150 years and reputation as an employer of choice enables it to attract the top young talent in the industry. A formalised and comprehensive recruitment process ensures that all applicants are assessed for the required skills in a fair manner. During the year, 2,650 new employees were inducted to our team comprising of 2,567 to the Retail sector and 83 to the Manufacturing sector. Female representation among the new recruits was 38%, compared to 17% the preceding year.

| GRI-G4 |
| --- |
| G4-09 |
| G4-10 |
| G4-LA11 |

*Rewards and Recognition*

A formalised Remuneration policy ensures that reward structures foster high performance and employee retention while balancing the interests of other stakeholders. Our rewards and recognition, opportunities for training and career progression are all linked to the annual performance appraisal, which is carried out for 100% of our executive cadre. Remuneration comprises of guaranteed and variable pay; guaranteed pay is determined by collective agreements or individual employment contracts and is in line with industry standards for similar category jobs whilst variable pay is based on the performance of the individual and the Organisation as a whole. Employees above the Assistant Manager grade are also eligible for Employee Share Options.

"As an organisation operating manufacturing facilities, we are cognisant of the vital importance of maintaining a safe and hazard free work environment"

In addition to remuneration, the following benefits are also provided to staff.

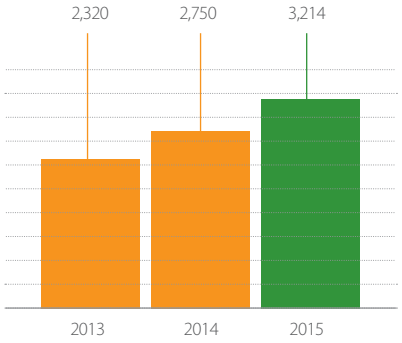
| GRI-G4 |
|---|
| G4-09 |
| G4-10 |
| G4-11 |
| G4-LA2 |
| G4-LA6 |

*Benefits provided to employees;*

| | | | |
|---|---|---|---|
| Productivity incentive | Attendance bonus | Free meals | Annual bonus |
| Uniforms | Annual profit sharing payment | Dispensary facility and free medicine | Free Transport |
| Critical illness insurance | Surgical and Hospitalisation cover | One crate of soft drinks per month | Death donation fund |

**Total Payments to Employees**

Rs. Million




## *Employee Relations*

Multiple employee engagement initiatives (refer page 37 for full list of engagement mechanisms) and an open door policy guarantees ongoing two-way communication between the Group's leadership and its employees while ensuring that employee concerns are clearly understood and addressed. As an organisation we also understand employees' right to freedom of association and 56% of our manufacturing segment employees are represented in two unions. We continue to maintain cordial relationships with the unions and during the year there were no lost days/work stoppages due to industrial disputes.

"We have also obtained and continue to comply with requirements of OHSAS 18001 standards for Occupational Health and Safety Management"

## *Health and Safety*

As an organisation operating manufacturing facilities, we are cognisant of the vital importance of maintaining a safe and hazard free work environment. The Group's occupational health and safety policy includes guidelines on preventive safety measures to minimise the occurrence of work-related injuries, scope and responsibilities of the Safety Committee as well as the importance on improving worker awareness on safety aspects. We have also obtained and continue to comply with requirements of OHSAS 18001 standards for Occupational Health and Safety Management.

| | Male | Female | Total |
|---|---|---|---|
| Occupational injuries and diseases | 55 | 30 | 85 |
| Total No. of lost days due to occupational injuries/diseases | 635 | 324 | 959 |
| Health and safety training hours | 54 | 54 | 108 |

| GRI-G4 |
|---|
| G4-09 |
| G4-10 |
| G4-LA9 |
| G4-LA10 |

## *Training and Development*

We offer a unique talent proposition to all our employees consisting of structured and on the job training programmes as well as life-long skill development initiatives. Training needs are assessed through annual performance reviews which allow managers to clearly identify areas for further improvement. In addition to technical training, we also place emphasis on developing the leadership and soft skills of our employees, effectively grooming the Organisation's next generation of leaders. Manual and clerical workers undergo extensive on-the-job training on an ongoing basis allowing them to transition from the unskilled category to semi-skilled and skilled labour.

Our investment in talent development bears testimony to our commitment and this year, we invested Rs. 51 mn on multiple training initiatives which resulted in average training hours per employee of 25.38 hrs for the year.

Key training programmes carried out during the period under review are,

- Advanced Strategic Management
- Leading Innovation & Change
- HIV Awareness Training
- Fire Training
- Change Management
- Decision Making and Problem Solving

## *The Retail Academy*

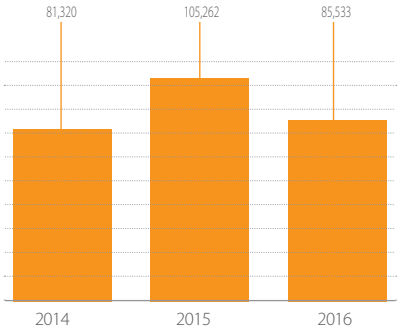
Initiated by JMSL as an ongoing initiative, the Retail Academy provides the opportunity for thousands of rural youth to develop skills required to obtain employment in the retail industry. The academy commenced in 2006, and has provided training to over 2,000 individuals during the year under review

## *Average Training hours per employee*

| | Hours |
|---|---|
| AVP and above | 9.14 |
| Managers | 17.30 |
| Assistant Managers | 13.81 |
| Executives | 22.56 |
| Non-Executives | 26.47 |

**Training**

Hours




## *Employee Grievances*

A formalised process, which ensures anonymity, is in place to address employee grievances at all levels. (Provide more details on this process). During the year such grievances were heard, filed and addressed.

| GRI-G4 |
|---|
| G4-09 |
| G4-10 |
| G4-EC2 |
| G4-LA1 |

### *Employee Retention*

The Group's talent management policies have been designed to aid higher levels of retention including giving preference for internal candidates for vacancies. Employee attrition as a percentage of new hires also fell to 9% during the year under review compared to 18% the previous year. High employee turnover amongst non-executive staff in the retail sector is an industry-wide phenomenon, fuelled by high labour migration. In effectively responding to this challenge, we have consistently sought to strengthen our non-executive staff value proposition through investment in training and skill development, high employee engagement and attractive remuneration.

| Employee Attrition | Male | | Female | | Total | |
|---|---|---|---|---|---|---|
| | Number | Rate (%) | Number | Rate (%) | Number | Rate (%) |
| AVP and above | 1 | 0.03 | - | - | 1 | 0.03 |
| Managers | 5 | 0.15 | - | - | 5 | 0.15 |
| Assistant Managers | 8 | 0.24 | - | - | 8 | 0.24 |
| Executives | 56 | 1.66 | 13 | 0.39 | 69 | 2.05 |
| Non-Executives | 1,390 | 41.25 | 941 | 27.92 | 2,331 | 69.17 |

## INTELLECTUAL CAPITAL

The IR Framework defines Intellectual Capital as organisational knowledge based intangibles such as intellectual property (patents, copyrights) and organisational capital, which includes tacit knowledge, systems, procedures and protocols. In the Food and Beverage industry, intellectual capital is a vital element of building a distinctive and innovative business. At CCS, intellectual capital comprises primarily of our patented recipes as well as the tacit knowledge of our people and systems which have played an integral role in building competitive advance. We persistently leverage on our research and development capabilities to enhance our intellectual capital through new product formulations and innovation. New products launched during the year are,

**Frozen Confectionery**

- Flavoured water ice products under Fruitee Blast
- Premium Ice Cream: Chocolate and Rum, Strawberry seduction
- Relaunch of "Winter Slice" with a new flavour mix

**Beverages**

- Lime Crush
- Isotonic drink-F5

## NATURAL CAPITAL

| Material Aspects Discussed in this Section | |
|---|---|
| Managing Inputs and Outputs | Reduce Carbon Footprint |

As a responsible corporate citizen and an organisation engaged in manufacturing activities, we are cognisant of our responsibility in minimising the environmental impact of our operations and ensuring that natural resources are preserved for a sustainable future. With the effects of climate change being felt more pronouncedly, its impact on our business will be felt primarily in the sourcing of agriculture based raw materials and changing demand profile for our products.

GRI-G4
G4-EN15

## Natural Capital- Highlights of the year

| Inputs | Activities | Value Outputs / Outcomes |
|---|---|---|
| Top five Raw materials consumed<br>17,181 MT<br>Energy consumed 143,971 GJ<br>Water consumed 644,957 $M^3$ | Sourcing of agriculture based raw materials<br>Manufacturing Beverages and ice cream and retail operations<br>Transportation and distribution of goods | Waste discharged 2.8 mn KG<br>Effluents discharged 396,225 M3<br>Emissions:<br>Scope 1: 1,359 MT<br>Scope 2: 23,756 MT |

The key principles of the Group's Natural Capital are;

- Promote the conservation of natural resources in every stage of our business operations
- Conform with all mandatory environmental laws and regulations applicable to our business
- Specify environmental objectives and set targets to ensure continuous and proactive improvement
- Communication of our environmental policies and philosophy to all employees and to the general public
- Actively participate in environmental conservation activities of the local communities in collaboration with governmental agencies and other organisations

"A host of environmental certifications including ISO 22000 and Earth Check (Bronze) are a testament to our commitment and ensure that we consistently monitor and manage the usage of natural resources and our impacts on the environment"

| GRI-G4 |
|---|
| G4-EN1 |
| G4-EN6 |
| G4-EN29 |
| G4-SO8 |

# Business Review

## Environmental Compliance

A host of environmental certifications including ISO 22000 and Earth Check (Bronze) are a testament to our commitment and ensure that we consistently monitor and manage the usage of natural resources and our impacts on the environment. In addition performance against set environmental objectives including energy consumption, energy intensity, quality and quantity of effluents and waste and status of environmental compliance is reported to the Board Audit Committee at least on a monthly basis. During the year, there were no fines or penalties imposed on the Group for non-compliance with environmental regulations or laws.

*Bio mass boiler at the CCS Factory*

## Managing our Inputs

### *Raw Materials*

The primary raw materials consumed in our manufacturing process are sugar, milk, agriculture based products and packaging materials. Overall, the Group's consumption of raw materials increased during the year in line with the increase in operational activity. In addition to ensuring the quality of the raw materials that are input to our manufacturing process (refer page 114 for details) we are also constantly pursuing ways of reducing the environmental impact of our packaging. For instance, we are currently formulating and developing new product designs for our PET bottles which will require relatively lower plastic content. Similarly, for ice cream tubs we are evaluating the option of using a new material with lower plastic content.

| KG | 2015/2016 | 2014/2015 | 2013/2014 |
|---|---|---|---|
| Fresh Milk | 4,103,371 | 4,996,489 | 3,306,502 |
| SMP | 784,987 | 407,952 | 494,458 |
| Sugar | 11,287,000 | 9,261,000 | 8,798,000 |
| Vegetable Fat | 842,948 | 637,256 | 625,616 |
| Whey Powder | 162,841 | 234,631 | 170,815 |
| Total | 17,181,147 | 15,537,328 | 13,395,391 |

### *Energy*

The Group's key sources of energy are electricity, LP gas, diesel and furnace oil. As a manufacturing organisation, the energy intensity of our operations is relatively high and we have implemented integrated energy management mechanisms to reduce our overall energy footprint. Over the medium to long-term we will also strive to reduce our dependency on non-renewable energy sources through gradually transitioning to the use of renewable energy.

Key energy initiatives carried out during the year are,

| Initiative |
|---|
| Generating green energy- A central bio mass boiler was commissioned in 2014 with the objective of reducing dependence on non-renewable sources. Green energy generated through this initiative replaces 650,000 litres amounting to an annual saving of Rs.54 million |
| Procurement of our entire requirement of food grade CO2 from India, which is generated from green sources. As a result, approximately 140,000 litres of diesel amounting to Rs.16 million was saved annually |
| Automatic Flow Control System-An initiative aimed at streamlining the energy consumption of the air compressor unit used for the blowing of PET bottles saving 124,000 kWh per annum |
| Improving energy efficiency in the factories through the installation of LED lighting, a new capacitor bank and variable speed drive for motors used in machinery |
| Conversion of 6 of our retail outlets to LED lighting, bringing the total number of outlets powered by LED to 21 |

| GRI-G4 |
|---|
| G4-EN3 |
| G4-EN8 |

The Group's total energy consumption increased by 9% during the year under review, reflecting the rise in production volumes and operational activity along with addition of 6 new retail outlets. Energy intensity (defined as energy consumed per produced Litre in manufacturing and energy consumed per square foot in retail) declined by 7% and 5% for manufacturing and retail respectively during the past year.

| Group Energy Consumption | 2015/16 | 2014/15 |
|---|---|---|
| **Direct energy consumption (KwH)** | | |
| Diesel (Litres) | 478,602 | 500,62 |
| Furnace Oil (Litres) | 68,575 | 57,746 |
| LPG (kg) | 40,858 | 37,448 |
| **Indirect energy consumption (KwH)** | | |
| Purchased from CEB (Units consumed) | 34,853,550 | 31,453,443 |

### *Water*

Water is a key input in our Beverage manufacturing process and achieving efficiencies in our water consumption is an important environmental priority for the Group. Our water requirement is sourced in entirety from ground water sources, and during the year under review, the total water consumption increased by 11% reflecting higher production volumes and increased number of outlets. Water intensity (defined as usage per produced Litre in manufacturing and usage per square foot in retail) declined by 11% and 4% for manufacturing and retail respectively during the past year.

*Sewerage treatment plant*

Initiatives that have been put in place to improve the Company's water footprint include;

- Recovery of approximately 150,000 of litres per day through a state of the art sewerage system at CCS plant.
- Raising staff awareness on water conservation through notices, posters and announcements.

### *Water Withdrawal*

| Source of Withdrawal | Volume ($M^3$) | |
|---|---|---|
| | 2015/16 | 2014/15 |
| Ground water | 507,333 | 453,116 |
| Municipality water | 137,617 | 127,439 |
| Other | 7 | - |
| Total | 644,957 | 580,555 |

## Managing our Outputs

### *Effluents and Waste*

The key types of waste generated from our operations include solid waste, incineration and landfill. Solid waste is segregated and sent for recycling to approved third parties or recycled internally for re-use. Meanwhile, all waste water is treated at our in-house effluent treatment plant prior to discharge. We have also installed a state of the art sewerage system which treats sewerage water to stringent parameters. We intend to start using this treated water for cooling purposes over the short to medium term. The water quality parameters are monitored on a consistent basis and are within the levels specified by the Central Environmental Authority. Total water discharge for the year increased by 12% during the year in line with increased activity levels.

| GRI-G4 |
|---|
| G4-EN5 |
| G4-EN15 |
| G4-EN16 |
| G4-EN18 |
| G4-EN21 |
| G4-EN22 |
| G4-EN23 |

*Group Water Discharge*

| Destination | Volume (litres) | |
|---|---|---|
| | 2015/16 | 2014/15 |
| Municipality sewerage and drainage | 21,771 | 22,703 |
| ETPS and Recycled | 753 | 798 |
| To rivers, lakes after being treated | 222,647 | 190,650 |
| Direct to rivers, lakes, wetlands and marshes | 24,422 | 224,44 |
| Ground through soakage pits | 113,705 | 105,663 |
| Provided to another organisation | 12,933 | 12,515 |
| Total water discharge | 396,225 | 354,773 |

| Quality of water | 2015/16 | 2014/15 |
|---|---|---|
| **Biochemical Oxygen Demand (BOD)** | | |
| To Rivers, Lakes after being treated by ETP/STP | 10 | 10 |
| Direct to Rivers, Lakes, Wetlands, Marshes | 10 | 11 |
| **Chemical Oxygen Demand (COD)** | | |
| To Rivers, Lakes after being treated by ETP/STP | 14 | 95 |
| Direct to Rivers, Lakes, Wetlands, Marshes | 37 | 87 |
| **Total suspended solids (TSS)** | | |
| To Rivers, Lakes after being treated by ETP/STP | 5 | 14 |
| Direct to Rivers, Lakes, Wetlands, Marshes | 7 | 10 |
| **pH Levels** | | |
| To Rivers, Lakes after being treated by ETP/STP | 8 | 8 |
| Direct to Rivers, Lakes, Wetlands, Marshes | 8 | 8 |
| **Oil and Grease levels** | | |
| To Rivers, Lakes after being treated by ETP/STP | 2 | 4 |
| Direct to Rivers, Lakes, Wetlands, Marshes | 2 | 7 |

## *Carbon Footprint*

Initiatives undertaken at reducing emissions include,

- Integrated energy management mechanisms resulting in the reduction of energy consumption at both factories
- Commissioning of the bio-mass boiler as a replacement for the furnace oil boiler
- Increased transportation efficiency through the use of larger cold cars to the fleet

The CCS Group's total carbon footprint for the year increased by 10% during the year due to the increased production volumes, although intensity (defined as carbon footprint per litre and carbon footprint per square foot for manufacturing and retail respectively) continued to record improvement.

| Carbon Footprint by Source - tCO2e | 2015/16 | 2014/15 |
|---|---|---|
| Direct energy through primary sources (Scope 1) | 1,359 | 1,373 |
| Indirect energy through primary sources (Scope 2) | 23,756 | 21,439 |
| Total carbon footprint | 25,116 | 22,812 |

*Emissions of Ozone Depleting Substances*

| | | 2015/16 | 2014/15 |
|---|---|---|---|
| Ozone depleting substances released (KG) | R22 | 1,105 | 731 |
| | R404 | 1,635 | 1,875 |
| Ozone depleting substances used (KG) | Acetylene | 6 | 6 |
| | Ammonia | 10 | 28 |
| | Nitrogen | 54 | 51 |
| Ozone depleting substances released (CFC-11 equivalent) (kg) | R22 | 61 | 40 |

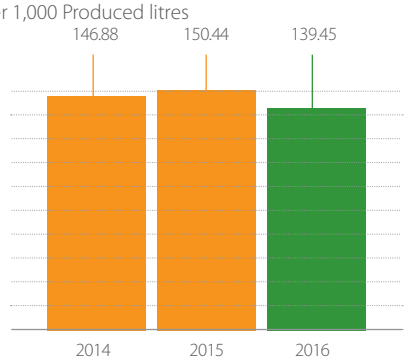
*Waste Management*

| | 2015/16 | 2014/15 |
|---|---|---|
| **Total non-hazardous waste (kg)** | **2,782,993** | **2,481,744** |
| Reuse (kg) | 101,212 | 79,171 |
| Recycling (kg) | 643,789 | 656,931 |
| Incineration (kg) | 1,090,600 | 886,350 |
| Sent to landfill (kg) | 947,392 | 859,292 |
| **Total Hazardous Waste (kg)** | **704** | **1,236** |
| Disposed (kg) | 704 | 1,236 |

| GRI-G4 |
|---|
| G4-EN5 |
| G4-EN18 |
| G4-EN21 |

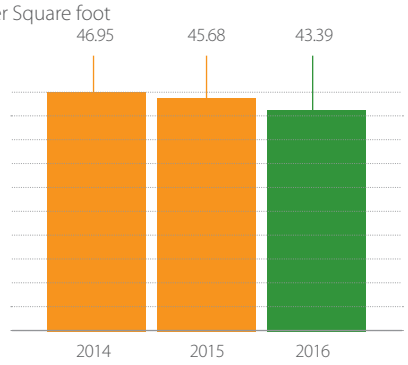
## Manufacturing - Energy intensity

KwH per 1,000 Produced litres



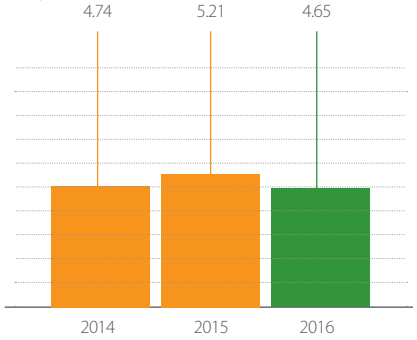

## Retail - Energy intensity

KwH per Square foot



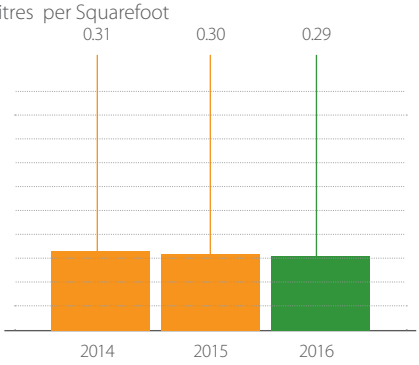

## Manufacturing - Water intensity ratio

Water litres per 1,000 Produced litres



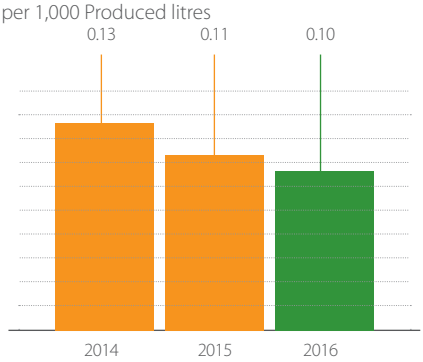

## Retail - Water intensity

Water litres per Squarefoot



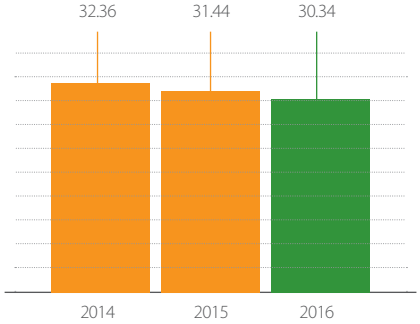

## Manufacturing - Emission intensity

tCO2e per 1,000 Produced litres




## Retail - Emission intensity

tCO2e per 1,000 Squarefoot



# Business Review

## Keells Super Red Bag Campaign

The extensive geographical footprint and customer reach of our retail arm provides us the opportunity to engage our customers in our environmental preservation efforts. At Keells Super, we believe that polythene used in the packing process is a massive threat to the environment and hence, to reduce such non-biodegradable waste we have introduced "The Keells Super Red Bag" to our customers. Introducing a reusable bag was a pioneering initiative in the supermarket industry in Sri Lanka. The bags are available for purchase at a nominal cost and all customers are encouraged to re-use the bags through a point system which provides discounts on the total bill value. Each time a Keells Super Red Bag is reused, Nexus Mobile Members are rewarded with 4 points worth Rs.4.00. The Red Bag comes in two sizes as Small and Large and its catchphrase; "Use me, Reuse me, Try not to Lose me" speaks to our customers to minimise polythene usage and join hands with Keells Super to help save the environment.

# GRI Content Index Tool

## GENERAL STANDARD DISCLOSURES-G4

| Number | Description | Section Included | Page Reference |
|---|---|---|---|
| **Strategy and Analysis** | | | |
| G4-1 | Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability. | Chairman's Message | 18-21 |
| **Organisational Profile** | | | |
| G4-3 | Name of the organisation | Corporate Information | Inner Back Cover |
| G4-4 | Primary brands, products, and services | About Ceylon Cold Stores,<br>Business Review | 06<br>88-92 |
| G4-5 | The location of the organisation's headquarters | Corporate Information | Inner Back Cover |
| G4-6 | Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report. | No Foreign Operations | |
| G4-7 | The nature of ownership and legal form | Corporate Information | Inner Back Cover |
| G4-8 | The markets served (geographic breakdown, sectors served, and types of customers/beneficiaries) | Business Review | 88-92 |
| G4-9 | The scale of the organisation, including:<br>- Total number of employees<br>- Total number of operations<br>- Net sales (for private sector organisations) or net revenues (for public sector organisations)<br>- Total capitalisation broken down in terms of debt and equity (for private sector organisations)<br>- Quantity of products or services provided | About Ceylon Cold Stores,<br>Business Model<br>Business Review - Financial Capital<br>Business Review - Human Capital<br>Business Review - Operational Review | 6<br>34-35<br>93-97<br>106-112<br>87-93 |
| G4-10 | a. The total number of employees by employment contract and gender.<br>b. The total number of permanent employees by employment type and gender.<br>c. The total workforce by employees and supervised workers and by gender.<br>d. The total workforce by region and gender.<br>e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.<br>f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). | Business Review - Human Capital | 106-112 |

# GRI Content Index Tool

| Number | Description | Section Included | Page Reference |
|---|---|---|---|
| G4-11 | The percentage of total employees covered by collective bargaining agreements. | Business Review - Human Capital | 110 |
| G4-12 | Describe the organisation's supply chain. | Value Creation Model<br>Business Review | 34,35,<br>92,102 |
| G4-13 | Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including:<br>- Changes in the location of, or changes in, operations, including facility openings, closings, and expansions<br>- Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations)<br>- Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination | No Significant changes | |
| G4-14 | Whether and how the precautionary approach or principle is addressed by the organisation. | Enterprise Risk Management | 76-84 |
| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses. | Strategy and Materiality | 38 |
| G4-16 | List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation is a member. | Business Review - Government and Regulators | 105 |
| **Identified Material Aspects and Boundaries** | | | |
| G4-17 | a. List all entities included in the organisation's consolidated financial statements or equivalent documents.<br>b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report. | About Ceylon Cold Stores,<br>About this Report | 6<br>7 |
| G4-18 | a. Explain the process for defining the report content and the Aspect Boundaries.<br>b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content. | About this Report | 7 |

| Number | Description | Section Included | Page Reference |
|---|---|---|---|
| G4-19 | List all the material Aspects identified in the process for defining report content. | Determining Materiality | 39,40 |
| G4-20 | For each material Aspect, the Aspect Boundary within the organisation | Determining Materiality | 39,40 |
| G4-21 | For each material Aspect, report the Aspect Boundary outside the organisation | Determining Materiality | 39,40 |
| G4-22 | The effect of any restatements of information provided in previous reports, and the reasons for such restatements. | There Were no Restatements | |
| G4-23 | Significant changes from previous reporting periods in the Scope and Aspect Boundaries. | There Were no Significant Changes | |
| Stakeholder Engagement | | | |
| G4-24 | List of stakeholder groups engaged by the organisation. | Stakeholder Engagement | 36,37 |
| G4-25 | The basis for identification and selection of stakeholders with whom to engage. | Stakeholder Engagement | 36,37 |
| G4-26 | The organisation's approach to stakeholder engagement | Stakeholder Engagement | 36,37 |
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement | Stakeholder Engagement<br>Strategy and Materiality | 36,37<br>40 |
| Report Profile | | | |
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided. | About this Report | 7 |
| G4-29 | Date of most recent previous report (if any). | Financial year ended 31st March 2015 | |
| G4-30 | Reporting cycle (such as annual, biennial) | Annual | |
| G4-31 | The contact point for questions regarding the report or its contents. | About this Report | 7 |
| G4-32 | a. Report the 'in accordance' option the organisation has chosen.<br>b. Report the GRI Content Index for the chosen option<br>c. Report the reference to the External Assurance Report, if the report has been externally assured. | Core<br>GRI Content Index Tool | 119-125 |

# GRI Content Index Tool

| Number | Description | Section Included | Page Reference |
|---|---|---|---|
| G4-33 | a. Report the organisation's policy and current practice with regard to seeking external assurance for the report.<br>b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.<br>c. Report the relationship between the organisation and the assurance providers.<br>d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report. | The Company has not obtained external assurance on this Report. | |
| Governance | | | |
| G4-34 | The governance structure of the organisation, including committees of the highest governing body. | Corporate Governance Report | 42 |
| Ethics and Integrity | | | |
| G4-56 | The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics. | Our Vision and Our Values<br>Corporate Governance | 2<br>63 |

## SPECIFIC STANDARD DISCLOSURES

| Material Aspect | DMA/Indicators | Reference/comments/ Reasons for omission | Page reference |
|---|---|---|---|
| ECONOMIC ASPECTS<br>Economic Performance | | | |
| G4-EC1 | Direct economic value generated | Financial Highlights | 9 |
| G4-EC2 | Financial implications and other risks and opportunities for the Organisation's activities due to climate change | Business Review - Natural Capital | 112 |
| G4-EC3 | Coverage of defined benefit plan obligations | Notes to the Financial Statements | 187 |
| Procurement Practices | | | |
| G4-EC9 | Proportion of spending on local suppliers at significant locations of operation | Business Review - Suppliers | 104 |
| ENVIRONMENTAL ASPECTS<br>Materials | | | |
| G4-EN1 | Materials used by weight or volume | Business Review - Natural Capital | 114 |
| Energy | | | |
| G4-EN3 | Energy consumption within the organisation | Business Review - Natural Capital | 115 |
| G4-EN5 | Energy intensity | Business Review - Natural Capital | 116,117 |
| G4-EN6 | Reduction of energy consumption | Business Review - Natural Capital | 114 |
| Water | | | |
| G4-EN8 | Total water withdrawal by source | Business Review - Natural Capital | 115 |
| Emissions | | | |
| G4-EN15 | Direct greenhouse gas (GHG) emissions | Business Review - Natural Capital | 113,116 |
| G4-EN16 | Energy indirect greenhouse gas (GHG) emissions | Business Review - Natural Capital | 116 |
| G4-EN18 | Greenhouse gas (GHG) emissions intensity | Business Review - Natural Capital | 116,117 |
| G4-EN21 | NOx, SOx and other significant air emissions | Business Review - Natural Capital | 116,117 |
| Effluents and Waste | | | |
| G4-EN22 | Total water discharge by quality and destination | Business Review - Natural Capital | 116 |

# GRI Content Index Tool

| Material Aspect | DMA/Indicators | Reference/comments/ Reasons for omission | Page reference |
|---|---|---|---|
| G4-EN23 | Total weight of waste by type and disposal method | Business Review - Natural Capital | 116 |
| Compliance | | | |
| G4-EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | Business Review - Environmental Compliance | 114 |
| Environmental Grievance Mechanisms | | | |
| G4-EN33 | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms | No Environmental Grievances filed | |
| SOCIAL ASPECTS<br>Labour Practices and Decent Work<br>Employment | | | |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender, and region | Business Review - Human Capital | 108,112 |
| G4-LA2 | Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation | Business Review - Human Capital | 110 |
| Occupational health and safety | | | |
| G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | Business Review - Human Capital | 110 |
| Training and Education | | | |
| G4-LA9 | Average hours of training per year per employee by gender, and by employee category | Business Review - Human Capital | 111 |
| G4-LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | Business Review - Human Capital | 111 |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | Business Review - Human Capital | 109 |
| Human Rights<br>Child Labour | | | |
| G4-HR05 | Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour | Corporate Governance Report - Employee empowerment<br>Business Review - Human Capital | 52<br>107 |

| Material Aspect | DMA/Indicators | Reference/comments/ Reasons for omission | Page reference |
|---|---|---|---|
| Forced or Compulsory Labour | | | |
| G4-HR06 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour | Corporate Governance Report - Employee empowerment<br>Business Review - Human Capital | 52<br>107 |
| Society<br>Local Communities | | | |
| G4-SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | Business Review - Community Engagement | 105 |
| Compliance | | | |
| G4-SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | Non-Financial Highlights<br>Business Review - Environmental Compliance | 11<br>114 |
| Product Responsibility<br>Customer Health and Safety | | | |
| G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | Business Review - Operating environment | 86 |
| Product and Service Labelling | | | |
| G4-PR3 | Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements | Business Review -Our Customers | 101 |
| Marketing Communications | | | |
| G4-PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes | Business Review - Our Customers | 100 |
| Compliance | | | |
| G4-PR9 | Monetary values of significant fines for non compliance with laws and regulations concerning the provision and use of product and services | Business Review - Our Customers | 100,101 |

# Financial Calendar

| Year Ended | 31st March 2016 | 31st March 2015 |
|---|---|---|
| 1st Quarter released on | 28th July 2015 | 21th July 2014 |
| 2nd Quarter released on | 20th October 2015 | 23rd October 2014 |
| 3rd Quarter released on | 14th January 2016 | 29th January 2015 |
| 4th Quarter released on | 25th May 2016 | 26th May 2015 |
| Annual Reports posted on | 25th May 2016 | 26th May 2015 |
| 119th Annual General Meeting on | 16th June 2016 | 18th June 2015 |

# Financial Statements

Annual Report of the Board of Directors ..... 128
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# Annual Report of the Board of Directors

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 2016.

The content of this report has also considered the requirements of the Companies Act, No 7 of 2007, and 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 15th 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 vision. The Company's vision is given on page 2 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.

### *Subsidiary*

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

### *Associate*

The principal activity of the Associate Company Waterfront Properties (Pvt) Limited is developing of Hotels, Apartments and Shopping Malls.

### *Ultimate Parent*

The Company's Ultimate Parent and controlling entity is John Keells Holdings PLC, which is incorporated in Sri Lanka.

## Review of Operations

A review of the operations of the Company and the Subsidiary during the financial year 2015/16 and results of their operations are contained in the Chairman's Statement (pages 18 to 21) and Business Review (pages 85 to 118). 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 it's Subsidiary as at 31 March 2016.

## Future Developments

An overview of the future developments is given in the Chairman's Statement (pages 18 to 21) and Business Review (pages 85 to 118).

## Financial Statements and Auditor's Report

The Financial Statements of the Group and the Company duly signed by the Directors are provided on pages 140 to 195 and the Auditor's Report on the Financial Statements is provided on page 139 of this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors and together with the Audited Financial Statements provide a fair review of the performance of the Company and the Group during the financial year ended 31st March 2016.

## Going Concern

After considering the financial position, operating conditions, regulatory and other factors the Directors have a reasonable expectation that the Company and the 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.

## Accounting Policies

The Accounting policies based on the Sri Lanka Accounting and Reporting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka are provided in detail in the notes to the Financial Statements on pages 146 to 195.

## Revenue

The net revenue generated during the year under review by the Company amounted to Rs 12,191 mn (2014/2015 Rs. 9,768 mn), whilst the Consolidated net revenue of the Group amounted to Rs. 34,069 mn (2014/2015 Rs. 27,699 mn). An analysis of revenue is given in note 2 to the Financial Statements.

## Financial Results

The Company recorded a profit after tax of Rs. 2,281 mn for the year (year ended 31 March 2015 - Rs. 1,176 mn) whilst the consolidated profit after tax was Rs. 2,875 mn (year ended 31 March 2015 Rs. 1,525 mn). A synopsis of the Group's performance is presented below.

For the year ended 31 March

| In Rs. '000s | 2016 | 2015 |
|---|---|---|
| Results from operating activities | 3,896,053 | 2,160,444 |
| Finance cost | (11,564) | (60,519) |
| Finance income | 139,888 | 55,676 |
| | 4,024,377 | 2,155,601 |
| Change in fair value of investment property | 16,947 | 8,975 |
| Share of results of equity accounted investees | (21,191) | (17,911) |
| Profit before tax | 4,020,133 | 2,146,665 |
| Provision for taxation including deferred tax | (1,145,260) | (621,170) |
| Profit after tax | 2,874,873 | 1,525,495 |
| Unappropriated profit brought forward from the previous year | 8,142,280 | 7,662,239 |
| Amount available for appropriation | 11,017,153 | 9,187,734 |
| Final dividend paid for the previous year | (570,254) | (570,254) |
| First Interim dividend paid | (475,200) | (475,200) |
| Second Interim dividend paid | (665,280) | - |
| Transfers from general reserves | 646,000 | - |
| Unappropriated profit carried forward | 9,952,419 | 8,142,280 |
| Adjustments | (207,529) | (24,539) |
| | (9,744,890) | 8,117,741 |

The Final dividend recommended for this financial year 2015/16 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 8 to the Financial Statements.

## Segment Reporting

A segmental analysis of the activities of the Group is given in note 2 to the Financial Statements.

## Related Party Transactions

There were no related party transactions which exceeds the lower of 10% of equity or 5% of the total assets of the Company.

The Directors have disclosed transactions with Related Parties in terms of Sri Lanka Accounting Standards (LKAS 24 - Related Party Disclosure) in note 36 to the Financial Statements.

## Corporate Donations

During the year the Group made donations amounting to Rs. 26.3 mn (2014/15 – Rs. 17.7 mn). The Group made no political donations.

## Dividends

A Final Dividend of Rs. 6/- per share for the financial year 2014/2015 (2013/2014 Rs. 6/-) was paid on 29th May 2015.

A First Interim Dividend of Rs. 5/- per share for the financial year 2015/2016 (2014/2015 Rs. 5/-) was paid on 28th October 2015.

A Second Interim Dividend of Rs. 7/- per share for the financial year 2015/2016 (2014/2015 nil) was paid on 26th February 2016.

The Board of Directors approved a final dividend of Rs. 10/- per share for 2015/2016 to be paid on the 20th May 2016 to those shareholders on the register as of 11th May 2016. In accordance with Sri Lanka Accounting and Reporting Standard 10, Events After the Reporting Period. The declared dividend has not been recognised as a liability as at 31st March 2016.

# Annual Report of the Board of Directors

As required by Section 56 (2) of the Companies Act, No. 7 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of Companies Act, No. 7 of 2007 and a certificate has been obtained from the Auditors, prior to declaring all dividends.

Dividend per share has been computed for all periods based on the number of shares in issue at the time of the dividend payout.

The dividends paid out are out of taxable profits of the Company and will be subjected to a 10% withholding tax.

## Property, Plant and Equipment

The value of Property Plant and Equipment as at the reporting date amounted to Rs. 6,123 mn (2014/2015 Rs. 5,365 mn) for the Group. The details of Property, Plant and Equipment of the Company and the Group are shown in note 13 (pages 176 to 178) to the Financial Statements.

## Capital Expenditure

The total capital expenditure on acquisition of Property, Plant and Equipment and intangible assets of the Company and the Group amounted to Rs. 544 mn and Rs. 1,376 mn respectively (2014/15 Company Rs. 183 mn and Group Rs. 649 mn) details of which are given in notes 13 and 14 to the Financial Statements. Capital expenditure approved and contracted but not provided for in the Financial Statements, is given in note 39 to the Financial Statements.

## Market Value of Freehold Properties

The land and buildings (except Freehold land in Trincomalee) owned by the Company were re-valued by Messrs. P.B. Kalugalagedara & Associates – Chartered Valuation Surveyors as at 31 March 2016. The Directors are of the opinion that the re-valued amounts are not in excess of the current market values of such properties.

The Investment property in Trincomalee was revalued as at 31 March 2016 by Messrs. P.B. Kalugalagedara & Associates - Chartered Valuation Surveyors. The land was valued at open market value. The details of the revaluation and relevant accounting policies are provided in notes 1.4.8 and 15 to the Financial Statements respectively.

## Investments

Details of investments held by the Company is disclosed in note 16 and 17 to the Financial Statements.

## Stated Capital and Revenue 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 or due and payable to the Company in respect of the issue of Shares and calls on shares.

The total Stated Capital of the Company as at 31 March 2016 was Rs. 918.2 mn (31 March 2015 – Rs. 918.2 mn), as given in note 24 to the Financial Statements.

Revenue Reserves as at 31 March 2016 for the Company and the Group amounted to Rs 9,364 mn (31 March 2015 – Rs. 8,886 mn) and Rs. 9,745 mn (31 March 2015 – Rs. 8,764 mn) respectively. The movement and the composition of the reserve is disclosed in the Statement of Changes in equity.

## Investment in Waterfront Properties (Pvt) Limited

John Keells Holdings PLC (JKH), the Parent Company, made an announcement to the Colombo Stock Exchange in January 2016 that the project encountered some unforeseen delays, during the year under review, and as such, the construction of "Cinnamon Life" is now expected to be completed in the calendar year 2019. JKH also announced in June 2015 that the facility agreement for the USD 395 mn syndicated project development facility with Standard Chartered Bank was finalised, thus concluding the required debt financing for the project. The changes to the facility agreement was necessitated subsequent to the changes in the status and scope of the project arising from the interim budget proposals announced in January 2015.

## Events After Reporting Period

Events occurring after the reporting period is 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 2016 except as disclosed in note 38 and 39 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 and the Group.

## Human Resources

The Group employed 3,370 persons at 31st March 2016 (31 March 2015 3,126).

The Group is committed to pursuing various HR initiatives that ensure the individual development of the 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 Controls of the Company and the Subsidiary 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.

## Corporate Governance

Enterprise Governance practices and principles with respect to the management and operations of the Group is set out on pages 41 to 74 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 are committed to maintaining an effective Corporate Governance structure and process. A fuller report on Corporate Governance is found on pages 41 to 74.

## Risk Management

The Board and the Senior Management of the Company and the Subsidiary 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 76 to 84.

## BOARD COMMITTEES

## 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
Mr. M. Hamza
(Appointed on 15th May 2015)
Prof. U P Liyanage
(Deceased on 10 August 2015)

The report of the Audit Committee is given on pages 135 to 137 of the Annual Report. The Audit Committee has reviewed the other services provided by the External Auditor 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 Company and its Subsidiary. The Human Resources and Compensation Committee of John Keells Holdings PLC comprises of five Independent Non-Executive Directors:

1. Mr. E.F.G Amerasinghe - Chairman
2. Mr. I .Coomaraswamy
3. Mr. M. A. Omar
4. Mr. A. N. Fonseka
5. Mr. D. A. Cabraal

The Compensation policy of the Group is detailed in the Corporate Governance Report of the Annual Report.

## Nominations Committee

The Nominations Committee of the Parent Company John Keells Holdings PLC functions as the Nominations Committee of the Company and its Subsidiary and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange.

# Annual Report of the Board of Directors

The Nominations Committee members of the Parent Company are as follows;

1. Mr. T. Das - Chairman
2. Mr. S. C. Ratnayake
3. Mr. M. A. Omar
4. Mr. E. F. G. Amerasinghe
5. Mr. D. A. Cabraal
6. Ms. M. P. Perera

The Nomination Committee policy is detailed in the Corporate Governance Report of the Annual Report.

## Related Party Transaction Review Committee

Related Party Transaction Review Committee of the Parent Company John Keells Holdings PLC functions as Related Party Transactions Review Committee the Company and its Subsidiary and conforms to the requirements of the Listing Rules of the Colombo Stock exchange.

The Related Party Transactions Review Committee members of the parent Company are as follows;

1. Mr. A N Fonseka – Chairman
2. Mr. E F G Amerasinghe
3. Mr. D A Cabraal
4. Mr. S C Ratnayake
5. Ms. M P Perera

The Related Party Transactions Review Committee policy is detailed in the Corporate Governance Report of the Annual Report.

## Share Information

An Ordinary Share of the Company was quoted on Colombo stock Exchange at Rs. 430.00 per share as at 31st March 2016 (31st March 2015 – Rs. 298.20). Information relating to earnings, dividends, net assets and market value per share is given in the Decade at a Glance on page 198. Information on share trading is given on page 197 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 197 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. M Hamza was appointed to the Board on the 15th of May 2016.

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)
Mr. P S Jayawardena PC
(Non - Executive, Independent)
Mr. A R Rasiah
(Non - Executive, Independent)
Mr. M Hamza
(Non - Executive, Independent)
Prof. U P Liyanage
(Non - Executive, Independent)
(Deceased on 10 August 2015)

The Board of Directors of Jaykay Marketing Services (Pvt) 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 Gunewardene
(Non - Executive, Non Independent)
Mr. K N J Balendra
(Executive, Non Independent)
Mr. K C Subasinghe
(Executive, Non Independent)
(Appointed on 01 August 2015)
Mr. J G A Cooray
(Executive, Non Independent)
(Appointed on 01 August 2015)
Ms. M R N Jayasundera-Moraes
(Non - Executive, Non Independent)
(Resigned on 01 August 2015)

## Responsibility of the Board

Details of the responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the Corporate Governance section of the Annual Report.

## Retirement of Directors by Rotation or Otherwise and Their Re-election

Mr. P S Jayawardena and Mr. A D Gunewardene retire by rotation in terms of Article 84 of the Articles of Association of the Company. Accordingly, Mr. A D Gunewardene shall retire by rotation, and being eligible offers himself for re-election in terms of Article 84 of the Articles of Association of the Company. Mr. P S Jayawardena having served on the Board of the Company for over nine years has informed the Board that he does not wish to be re-elected as a Director in terms of Article 84 of the Articles of Association of the Company.

The Company has recommended the re-election of Mr .A R Rasiah who is over 70 years of age, and retires in terms of Section 210 of the Companies Act No. 7 of 2007. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to him and that he be re-elected as a Director of the Company.

## Directors' Interests in Shares

The share ownership of Directors is stated below.

The Directors' individual shareholdings in the Company as at 31st March 2016 and 31st March 2015 were as follows.

| Name of the Director | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| 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. P S Jayawardena, PC | **81,200** | 81,200 |
| Mr. A R Rasiah | **13,766** | 12,760 |
| Mr. M Hamza | **500** | - |
| Prof. U P Liyanage (Deceased on 10 August 2015) | - | 1,200 |

## Remuneration to Directors

Executive Directors' remuneration is established within a framework approved by the Remuneration Committee. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The remuneration of the Non-Executive Directors 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 the note 7 of the Financial Statements.

## Directors' Meetings

Details of Directors' meetings are presented on page 47 of the Annual Report.

## Interests Register

The Company has maintained an Interests Register as contemplated by the Companies Act, No 7 of 2007. In compliance with the requirements of the Companies Act, No 7 of 2007 this Annual Report contains particulars of entries made in the Interests Register. As the Subsidiary Company is a Private Company who 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 2015/16

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:

| Name of the Director | Nature of Share Dealing |
|---|---|
| Mr. A R Rasiah | Purchase of 1,006 shares |
| Mr. M Hamza | Purchase of 500 shares |

c) Indemnities and Remuneration

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

# Annual Report of the Board of Directors

The Board approved the payment to Mr. J R Gunaratne Executive Director of Ceylon Cold Stores PLC, a remuneration, comprising of:

- An increment from 1st July 2015 based on the individual performance rating obtained by the Executive Directors in terms of the performance management system of the John Keells Group;
- A short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2014/2015 and
- A long term Incentive plan in the form of Employee Share Options (SOP) at John Keells Holdings PLC.

As recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC the Holding Company of Ceylon Cold Stores PLC in keeping with the John Keells group remuneration policy

Mr. M Hamza was appointed as a Non-Executive Directors of Ceylon Cold Stores PLC from 15th May 2015 for 3 years at the standard Non-Executive fee approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company.

## Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and it's 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, the Companies Act, No. 7 of 2007 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.

## 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 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 end of the reporting period 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 Messr's. Ernst & Young Chartered Accountants. The retiring Auditor, Messr's. Ernst & Young have intimated their willingness to continue in office and a resolution to re-appoint them as Auditor and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

The Auditors Report is found on page 139 of the Annual Report.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, independence and its relationship with the Company, including the level of audit and non-audit fees paid to the Auditor.

The details of fees paid to the Auditors for the Company and its Subsidiary are set out in note 7 to the Financial Statements. As Far as the Directors are aware, the Auditors have no other relationship with the Company and it's Subsidiary.

## Approval of the Financial Statements

The Audited Financial Statements were approved by the Board of Directors on 25th May 2016.

## Notice of Meeting

The notice of Meeting relating to the 119th Annual General Meeting is given on page 201 of the Annual Report.

J. R. Gunaratne
Director

J. R. F. Peiris
Director

Keells Consultants (Pvt) Limited
Secretaries

25th May 2016

# 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 Committees and has 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, that a good financial reporting system is in place and is well managed in order to give accurate, appropriate and timely information, that it is in accordance with the Company's Act, No. 7 of 2007 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 ensures that the internal controls and the risk management process are effective and adequate enough to meet the requirements of the Sri Lanka Auditing Standards and that the Group is in compliance with legal, regulatory and ethical requirements.

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

The Committee evaluates the performance and the independence of the Internal Auditors and the External Auditor.
The Committee is also tasked with the responsibility of recommending to the Board the re-appointment or the change of External Auditor 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 Auditor, 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 and risk management reports etc. To achieve the objectives as stated above, the Committee has reviewed and discussed with management and Internal and External Auditor, the Audited Financial Statements, the quarterly unaudited Financial Statements as well as matters relating to the Group's internal control over financial reporting, key judgements 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 four Independent, Non-Executive Directors in conformity with the Listing Rules of the Colombo Stock Exchange, who are,

1. Mr. A R Rasiah – Chairman
2. Mr. P S Jayawardena PC
3. Mr. M.Hamza (Appointed on 15th May 2015)
4. Prof. U.P Liyanage (deceased on 10th August 2015)

## Attendance at Audit Committee Meetings

| Name | 8th April 2015 | 8th May 2015 | 24th July 2015 | 15th October 2015 | 12th January 2016 |
|---|---|---|---|---|---|
| Mr. A R Rasiah | Y | Y | Y | Y | Y |
| Prof. U Liyanage *(Deceased on 10th August 2015)* | N | N | N | - | - |
| Mr. P S Jayawardena PC | Y | Y | Y | Y | Y |
| Mr. M. Hamza *(Appointed 15th May 2015)* | - | - | Y | Y | Y |

# Audit Committee Report

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 judgement, and at least quarterly each year. During the year under review there were five (5) meetings and attendance of the Committee members are given above. The Executive Director / CEO, the Chief Financial Officer, the Sector Financial Controller and the Heads of Categories attended such meetings by invitation and briefed the Committee on specific issues. The External Auditor and the Internal Auditor were also invited to attend meetings when necessary. The proceedings of the Audit Committee were reported to the Board of Directors by the Chairman of the Audit Committee.

## Summary of Activities During the Financial Year

## Oversight of Company and Consolidated Financial Statements

The Committee reviewed with the Independent External Auditor who is responsible for expressing an opinion on the truth and fairness of the Audited Financial Statements and their conformity with the Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS).

The Committee also reviewed the accounting policies of the Company and the Group and such other matters as are required to be discussed with the Independent External Auditor in compliance with Sri Lanka Auditing Standard 260 – Communication of Audit Matters with those charged with Governance. The quarterly Financial Statements and the Financial Statements for the Year ended 31st March 2016 of the Company and the Group 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 (PwC), 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 Auditors as to the frequency of audits to be carried out, the scope of the audit and 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 internal controls and audit recommendations.

The internal audit frequency depends on the risk profile of each area, higher risk areas being on a shorter audit cycle. The Audit Committee is of the opinion that the above approach provides an optimal balance between the need to manage risk and the costs thereof.

## Risk and Control Review

The Audit Committee has reviewed the Business Risk Management process and procedures adopted by the Group to manage and mitigate the effects of such risks and observe that the risk analysis exercise had been conducted within the Group. The key risks that could impact operations has been identified and appropriate action has been taken to mitigate their impact to the minimum extent.

## External Audit

The External Auditor of the Company and of the Subsidiary, Messrs. Ernst & Young, Chartered Accountants, submitted a detailed audit plan for the financial year 2015/16, 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 had been selected due to the probability of error and the material impact it can have on the Financial Statements. At the conclusion of the Audit, the External Auditor met with the Audit Committee to discuss and agree on the treatment of any matters of concern

discovered in the course of the audit and also to discuss the Audit Management letters. Actions taken by the management in response to the issues raised were discussed with the President / 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 were not compromised.

The Audit Committee has received a declaration from Messrs. Ernst & 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 & Young, Chartered Accountants, be recommended for reappointment as Auditor for the year ending 31st March 2017, at the next Annual General Meeting.

## Compliance with Financial Reporting and Statutory Requirements

The Audit Committee receives a quarterly declaration from the CEO and the Sector Finance Controller, listing any departures from financial reporting, statutory requirements and Group policies. Reported exceptions, if any, are followed up to ensure that appropriate corrective action has been taken.

With a view of ensuring uniformity of reporting, the Group has adopted the standardised format of Annual Financial Statements developed by the Parent Company.

## Support to the Committee

The Committee received the necessary support and information from the management of the Company and the Subsidiary during the year to enable them carry out its duties and responsibilities effectively.

## Evaluation of Committee

The Audit Committee formally evaluated the performance of the Committee as well as the individual contribution of each member. Steps have been taken to address the matters highlighted following such evaluation.

## Conclusion

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Company and the Subsidiary in the implementation of the accounting policies and operational controls provide reasonable assurance that the affairs of the Company and the Subsidiary 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*

25th May 2016

# Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditor, in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act, No. 7 of 2007, is set out in the Independent Auditors Report on page 139 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;

- A Statement of Income, 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, No. 7 of 2007 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 Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider being appropriate to enable them to give their audit opinion.

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 obtained a certificate from the Auditors, prior to declaring final dividend of Rs. 10/- per share which was paid on 20th May 2016

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

## Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its 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 end of the reporting period have been paid or, where relevant provided for except as specified in note 38 to the Financial Statements covering contingent liabilities.

By Order of the Board

**Keells Consultants (Private) Limited**
*Secretaries*

25th May 2016

# Independent Auditors' Report

Building a better working world

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

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Fax Gen : +94 11 2697369
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eysl@lk.ey.com
ey.com

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 (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2016, and the income statement and comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, set out on pages 140 to 195.

## Board's Responsibility for the Financial Statements

The Board of Directors (the "Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

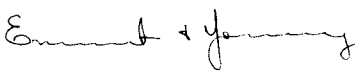
a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- The financial statements of the Company give a true and fair view of its financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- The financial statements of the Company and the Group comply with the requirements of section 151 and 153 of the Companies Act No. 07 of 2007.



25 May 2016
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

# Income Statement

| For the year ended 31st March<br>In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| Sale of goods | | **34,069,211** | 27,699,059 | **12,190,925** | 9,768,129 |
| Revenue | 2 | **34,069,211** | 27,699,059 | **12,190,925** | 9,768,129 |
| Cost of sales | | **(28,572,740)** | (24,028,703) | **(7,595,030)** | (6,495,652) |
| Gross profit | | **5,496,471** | 3,670,356 | **4,595,895** | 3,272,477 |
| Other operating income | 3 | **1,556,098** | 1,196,696 | **363,349** | 97,132 |
| Selling and distribution expenses | | **(1,473,188)** | (1,311,669) | **(1,242,054)** | (1,097,523) |
| Administrative expenses | | **(1,100,131)** | (886,201) | **(469,827)** | (415,549) |
| Other operating expenses | 4 | **(583,197)** | (508,738) | **(298,541)** | (255,547) |
| Results from operating activities | | **3,896,053** | 2,160,444 | **2,948,822** | 1,600,990 |
| Finance cost | 5 | **(11,564)** | (60,519) | **(10,860)** | (23,620) |
| Finance income | 6 | **139,888** | 55,676 | **98,277** | 42,058 |
| Net finance income/(cost) | | **128,324** | (4,843) | **87,417** | 18,438 |
| Change in fair value of investment property | 15 | **16,947** | 8,975 | **16,947** | 8,975 |
| Share of results of equity accounted investees | 17.1 | **(21,191)** | (17,911) | - | - |
| Profit before tax | 7 | **4,020,133** | 2,146,665 | **3,053,186** | 1,628,403 |
| Tax expense | 8 | **(1,145,260)** | (621,170) | **(772,173)** | (452,005) |
| Profit for the year | | **2,874,873** | 1,525,495 | **2,281,013** | 1,176,398 |
| Attributable to : | | | | | |
| Equity holders of the Parent | | **2,874,873** | 1,525,495 | | |
| | | Rs. | Rs. | | |
| Earnings per share | | | | | |
| Basic | 9 | **30.25** | 16.05 | | |
| Dividend per share | 10 | **18.00** | 11.00 | | |

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 146 to 195 form an integral part of these financial statements.

# Statement of Comprehensive Income

| For the year ended 31st March<br>In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| Profit for the year | | **2,874,873** | 1,525,495 | **2,281,013** | 1,176,398 |
| Other comprehensive income | | | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | | | | |
| Share of other comprehensive income of equity accounted investments | 17.1 | **585,234** | 111,459 | - | - |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods | | | | | |
| Actuarial gain/(loss) on employee benefit liabilities | 30 | **(1,611)** | 19,486 | **4,078** | 22,510 |
| Revaluation of land and buildings | 13 | **58,463** | 4,133 | **54,388** | - |
| Income tax on other comprehensive income | 8.4 | **(9,717)** | (6,540) | **(10,168)** | (6,229) |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | | **47,135** | 17,079 | **48,298** | 16,281 |
| Other comprehensive income for the year, net of tax | | **632,369** | 128,538 | **48,298** | 16,281 |
| Total comprehensive income for the year, net of tax | | **3,507,242** | 1,654,033 | **2,329,311** | 1,192,679 |
| Attributable to: | | | | | |
| Equity holders of the Parent | | **3,507,242** | 1,654,033 | **2,329,311** | 1,192,679 |

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 146 to 195 form an integral part of these financial statements.

# Statement of Financial Position

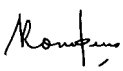
| As at 31st March<br>In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 6,122,560 | 5,365,259 | 3,715,197 | 3,520,467 |
| Intangible assets | 14 | 143,404 | 152,595 | 7,659 | 10,596 |
| Investment property | 15 | 111,404 | 94,457 | 111,404 | 94,457 |
| Investment in subsidiary | 16 | - | - | 1,222,892 | 1,222,892 |
| Investment in associate | 17 | 5,886,679 | 5,362,161 | 5,392,863 | 5,392,863 |
| Non-current financial assets | 18 | 130,607 | 92,790 | 80,364 | 64,517 |
| Other non-current assets | 19 | 383,409 | 287,360 | 14,053 | 14,979 |
| | | 12,778,063 | 11,354,622 | 10,544,432 | 10,320,771 |
| Current assets | | | | | |
| Inventories | 20 | 2,719,857 | 2,382,830 | 836,303 | 647,564 |
| Trade and other receivables | 21 | 1,746,096 | 1,481,088 | 1,414,734 | 1,253,607 |
| Amounts due from related parties | 36 | 6,194 | 7,073 | 42,527 | 34,594 |
| Tax recoverable | 34 | - | 41,382 | - | - |
| Other current assets | 22 | 292,546 | 253,509 | 113,429 | 113,039 |
| Short term investments | 23 | 2,064,523 | 808,415 | 1,304,905 | 730,256 |
| Cash in hand and at bank | | 224,090 | 166,192 | 103,103 | 42,867 |
| | | 7,053,306 | 5,140,489 | 3,815,001 | 2,821,927 |
| Total assets | | 19,831,369 | 16,495,111 | 14,359,433 | 13,142,698 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the parent | | | | | |
| Stated capital | 24 | 918,200 | 918,200 | 918,200 | 918,200 |
| Revenue reserves | 25 | 9,744,890 | 8,763,741 | 9,363,562 | 8,886,028 |
| Other components of equity | 26 | 1,682,641 | 974,395 | 903,647 | 814,418 |
| Total equity | | 12,345,731 | 10,656,336 | 11,185,409 | 10,618,646 |
| Non-current liabilities | | | | | |
| Borrowings | 28 | 15,000 | 84,073 | 15,000 | 84,073 |
| Deferred tax liabilities | 29 | 771,473 | 565,756 | 557,425 | 514,002 |
| Employee benefit liabilities | 30 | 394,377 | 376,358 | 314,302 | 298,272 |
| Other non-current liabilities | 31 | 131,929 | 118,440 | 131,929 | 118,440 |
| Other deferred liabilities | 32 | 26,335 | 24,908 | - | - |
| | | 1,339,114 | 1,169,535 | 1,018,656 | 1,014,787 |
| Current liabilities | | | | | |
| Trade and other payables | 33 | 4,038,576 | 2,982,473 | 976,581 | 645,002 |
| Amounts due to related parties | 36 | 122,639 | 126,411 | 1,257 | 8,099 |
| Income tax liabilities | 34 | 686,600 | 330,001 | 531,121 | 321,194 |
| Current portion of borrowings | 28 | 69,073 | 101,264 | 69,073 | 101,264 |
| Other current liabilities | 35 | 646,281 | 605,494 | 409,117 | 328,160 |
| Bank overdrafts | | 583,355 | 523,597 | 168,219 | 105,546 |
| | | 6,146,524 | 4,669,240 | 2,155,368 | 1,509,265 |
| Total equity and liabilities | | 19,831,369 | 16,495,111 | 14,359,433 | 13,142,698 |

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.

J. R Gunaratne
*Director*



J. R. F Peiris
*Director*

The accounting policies and notes as set out on pages 146 to 195 form an integral part of these financial statements.

25th May 2016

# Statement of Changes in Equity

| For the year ended 31 March 2016 | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| In Rs.'000s | Stated capital | ESOP reserve | Revaluation reserve | Foreign currency translation reserve | General reserve | Revenue reserve | Total equity |
| Group | | | | | | | |
| As at 1 April 2014 | 918,200 | 38,897 | 756,802 | - | 646,000 | 7,640,317 | 10,000,216 |
| Profit for the year | - | - | - | - | - | 1,525,495 | 1,525,495 |
| Other comprehensive income | - | - | 2,976 | 111,459 | - | 14,103 | 128,538 |
| Total comprehensive income | - | - | 2,976 | 111,459 | - | 1,539,598 | 1,654,033 |
| Impairment of assets | - | - | (1,357) | - | - | - | (1,357) |
| Share based payments | - | 65,618 | - | - | - | - | 65,618 |
| First and final dividend paid - 2013/14 | - | - | - | - | - | (570,240) | (570,240) |
| Preference share dividend paid - 2013/14 | - | - | - | - | - | (14) | (14) |
| Interim dividend paid - 2014/15 | - | - | - | - | - | (475,200) | (475,200) |
| Changes of holding in associate | - | - | - | - | - | (94) | (94) |
| Net consideration transferred on business combination | - | - | - | - | - | (16,626) | (16,626) |
| As at 31 March 2015 | 918,200 | 104,515 | 758,421 | 111,459 | 646,000 | 8,117,741 | 10,656,336 |
| Charge relating to Super Gain Tax | | | | | | (118,873) | (118,873) |
| Balance after Super Gain Tax | 918,200 | 104,515 | 758,421 | 111,459 | 646,000 | 7,998,868 | 10,537,463 |
| Reinstatement of fully depreciated assets | - | - | - | - | - | 12,733 | 12,733 |
| Profit for the year | - | - | - | - | - | 2,874,873 | 2,874,873 |
| Other comprehensive income | - | - | 48,295 | 585,234 | - | (1,159) | 632,370 |
| Total comprehensive income | - | - | 48,295 | 585,234 | - | 2,886,447 | 3,519,976 |
| Transfer | - | - | - | - | (646,000) | 646,000 | - |
| Share based payments | - | 74,717 | - | - | - | - | 74,717 |
| Final dividend paid - 2014/15 | - | - | - | - | - | (570,240) | (570,240) |
| Preference share dividend paid - 2014/15 | - | - | - | - | - | (14) | (14) |
| Interim dividend paid - 2015/16 | - | - | - | - | - | (1,140,480) | (1,140,480) |
| Changes of holding in associate | - | - | - | - | - | (75,691) | (75,691) |
| As at 31 March 2016 | 918,200 | 179,232 | 806,716 | 696,693 | - | 9,744,890 | 12,345,731 |
| Company | | | | | | | |
| As at 1 April 2014 | 918,200 | 23,362 | 752,003 | | 646,000 | 8,092,803 | 10,432,368 |
| Profit for the period | - | - | - | | - | 1,176,398 | 1,176,398 |
| Other comprehensive income | - | - | - | | - | 16,281 | 16,281 |
| Total comprehensive income | - | - | - | | - | 1,192,679 | 1,192,679 |
| Share based payments | - | 39,053 | - | | - | - | 39,053 |
| First and final dividend paid - 2013/14 | - | - | - | | - | (570,240) | (570,240) |
| Preference share dividend paid - 2013/14 | - | - | - | | - | (14) | (14) |
| Interim dividend paid - 2014/15 | - | - | - | | - | (475,200) | (475,200) |
| As at 31 March 2015 | 918,200 | 62,415 | 752,003 | | 646,000 | 8,240,028 | 10,618,646 |
| Charge relating to Super Gain Tax | - | - | - | | - | (108,415) | (108,415) |
| Balance after Super Gain Tax | 918,200 | 62,415 | 752,003 | | 646,000 | 8,131,613 | 10,510,231 |
| Reinstatement of fully depreciated assets | - | - | - | | - | 12,733 | 12,733 |
| Profit for the period | - | - | - | | - | 2,281,013 | 2,281,013 |
| Other comprehensive income | - | - | 45,361 | | - | 2,937 | 48,298 |
| Total comprehensive income | - | - | 45,361 | | - | 2,296,683 | 2,342,044 |
| Share based payments | - | 43,868 | - | | - | - | 43,868 |
| Transfer | - | - | - | | (646,000) | 646,000 | - |
| Final dividend paid - 2014/15 | - | - | - | | - | (570,240) | (570,240) |
| Preference share dividend paid - 2014/15 | - | - | - | | - | (14) | (14) |
| Interim dividends paid - 2015/16 | - | - | - | | - | (1,140,480) | (1,140,480) |
| As at 31 March 2016 | 918,200 | 106,283 | 797,364 | | - | 9,363,562 | 11,185,409 |

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 146 to 195 form an integral part of these financial statements.

# Statement of Cash Flows

| For the year ended 31st March<br>In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before working capital changes | A | **4,694,427** | 3,020,738 | **3,458,385** | 2,153,927 |
| (Increase) / decrease in inventories | | **(337,027)** | (311,176) | **(188,739)** | (118,888) |
| (Increase) / decrease in trade and other receivables | | **(265,008)** | (121,834) | **(161,127)** | (171,169) |
| (Increase) / decrease in amounts due from related parties | | **879** | 3,354 | **(7,933)** | 14,460 |
| (Increase) / decrease in other current assets | | **(39,037)** | (99,967) | **(390)** | (50,152) |
| (Increase) / decrease in other non current financial assets | | **(37,817)** | (15,579) | **(15,847)** | (17,464) |
| (Increase) / decrease in other non current assets | | **(96,049)** | (2,724) | **926** | (327) |
| Increase / (decrease) in trade and other payables | | **1,056,103** | 376,988 | **331,579** | 7,430 |
| Increase / (decrease) in amounts due to related parties | | **(3,772)** | 4,728 | **(6,842)** | (4,915) |
| Increase / (decrease) in other current liabilities | | **40,787** | 5,464 | **80,957** | 8,990 |
| Increase / (decrease) in other deferred liabilities | | **1,427** | 4,444 | **-** | - |
| Increase / (decrease) in other non current liabilities | | **13,489** | (24,644) | **13,489** | (24,644) |
| Cash generated from operations | | **5,028,402** | 2,839,792 | **3,504,458** | 1,797,248 |
| Finance income received | | **139,888** | 55,676 | **98,277** | 42,058 |
| Finance expenses paid | | **(11,564)** | (60,519) | **(10,860)** | (23,620) |
| Tax paid | | **(670,011)** | (101,463) | **(637,406)** | (96,237) |
| Gratuity paid/transfers | | **(46,192)** | (33,142) | **(26,310)** | (24,407) |
| Net cash flow from operating activities | | **4,440,523** | 2,700,344 | **2,928,159** | 1,695,042 |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | | | | |
| Purchase and construction of property, plant and equipment | 13 | **(1,374,731)** | (648,315) | **(543,567)** | (182,468) |
| Purchase of intangible assets | 14 | **(1,668)** | (1,244) | **(747)** | (453) |
| Proceeds from sale of property, plant and equipment | | **2,122** | 5,448 | **365** | 1,703 |
| Proceeds from sale of intangible assets | | **-** | 26 | **-** | - |
| Acquisition of subsidiary, net of cash acquired | | **-** | 142,260 | **-** | - |
| Net cash flow used in investing activities | | **(1,374,277)** | (501,825) | **(543,949)** | (181,218) |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | | | | |
| Dividend paid to equity holders of parent | 10 | **(1,710,720)** | (1,045,440) | **(1,710,720)** | (1,045,440) |
| Dividend paid to Preference shareholders | | **(14)** | (14) | **(14)** | (14) |
| Repayment of borrowings | 28 | **(101,264)** | (139,598) | **(101,264)** | (139,598) |
| Net cash flow used in financing activities | | **(1,811,998)** | (1,185,052) | **(1,811,998)** | (1,185,052) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **1,254,248** | 1,013,467 | **572,212** | 328,772 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | **451,010** | (562,457) | **667,577** | 338,805 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | **1,705,258** | 451,010 | **1,239,789** | 667,577 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | | | | |
| Favorable balances | | | | | |
| Short term investments | 23 | **2,064,523** | 808,415 | **1,304,905** | 730,256 |
| Cash in hand and at bank | | **224,090** | 166,192 | **103,103** | 42,867 |
| Unfavorable balances | | | | | |
| Bank overdrafts | | **(583,355)** | (523,597) | **(168,219)** | (105,546) |
| Total cash and cash equivalents | | **1,705,258** | 451,010 | **1,239,789** | 667,577 |

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 146 to 195 form an integral part of these financial statements.

# Statement of Cash Flows

| For the year ended 31st March<br>In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| A-Profit before working capital changes | | | | | |
| Profit before tax | | **4,020,133** | 2,146,665 | **3,053,186** | 1,628,403 |
| Adjustments for: | | | | | |
| Finance income | 6 | **(139,888)** | (55,676) | **(98,277)** | (42,058) |
| Finance cost | 5 | **11,564** | 60,519 | **10,860** | 23,620 |
| Share of results of equity accounted investees | 17.1 | **21,191** | 17,911 | **-** | - |
| Change in fair value of investment property | 15 | **(16,947)** | (8,975) | **(16,947)** | (8,975) |
| Depreciation of property, plant and equipment | 13 | **646,994** | 693,406 | **395,671** | 457,042 |
| Amortisation of intangible assets | 14 | **10,859** | 10,659 | **3,684** | 3,703 |
| Loss on sale of property, plant and equipment | 4 | **39,511** | 29,309 | **19,922** | 4,617 |
| Impairment of assets | | **-** | 4,326 | **-** | - |
| Share based payment expense | 27 | **74,717** | 65,618 | **43,868** | 39,053 |
| Gain on lease rights forgone | 3 | **(36,307)** | (6,293) | **-** | - |
| Gratuity provision and related costs | 30 | **62,600** | 63,269 | **46,418** | 48,522 |
| | | **4,694,427** | 3,020,738 | **3,458,385** | 2,153,927 |

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 146 to 195 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

***Reporting entity***

Ceylon Cold Stores PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Principal place of business of the Company is located at no 148, Vauxhall Street, Colombo 02. The manufacturing facilities for the production of Beverages and Frozen Confectionery are located at Ranala, Kaduwela.

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

***Consolidated financial statements***

The consolidated financial statements for the year ended 31st March 2016, 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 Consolidated Financial Statements***

The consolidated financial statements of the Group for the year ended 31st March 2016 were authorised for issue by the Directors on 25th May 2016.

***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 (Pvt) Ltd. is owing and operating a chain of supermarkets and "Nexus Mobile" loyalty programme.

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

*Associate*

The principal activity of the Associate Company Waterfront properties (Pvt) Ltd. is developing of hotels, apartments and shopping malls.

***Parent Enterprise and Ultimate Parent Enterprise***

The Company's parent undertaking is John Keells Holdings PLC. The Directors are of the opinion that the Company's ultimate parent undertaking and controlling party is John Keells Holdings PLC which is incorporated in Sri Lanka

***Responsibility for Financial Statements***

The Board of Directors is responsible for the preparation and presentation of these financial statements.

The responsibility of the Directors in relation to the financial statements is set out in The Statement of Directors' Responsibility on page 138 to in the Annual Report.

***Statement of Compliance***

The financial statements which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act, No. 7 of 2007.

## 1.2 Basis of preparation

***Bases of Measurement***

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for the land, building and Investment properties in the statement of financial position.

***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.

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

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

The significant accounting policies are discussed in note 1.4 below.

## Consolidation

### *Basis of Consolidation*

The consolidated financial statements comprise the financial statements of the Company and its Subsidiary as at 31st March 2016. The Financial Statements of the Subsidiary is prepared in compliance with the Group's accounting policies unless otherwise stated.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The following Companies have been consolidated under Section 152 of the Companies Act, No. 7 of 2007.

| | Holding |
|---|---|
| Jaykay Marketing Services ( Pvt) Ltd. | 100% |
| Waterfront Properties (Pvt) Ltd. | 29.04% |

*Subsidiary*

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 Company, which is 12 months ending 31 March, using consistent accounting policies.

The total profits and losses for the year of the Company and of its Subsidiary included in consolidation are shown in the consolidated Income statement and consolidated statement of comprehensive

Income and all assets and liabilities of the Company and of its Subsidiary included in consolidation are shown in the consolidated statement of financial position.

The consolidated statements of cash flows includes the cash flows of the Company and its' Subsidiary.

Losses within the 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:

- Derecognises the assets (including goodwill) and liabilities of the Subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises 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.

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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### *Common Control Business Combinations*

SLFRS 3 – Business Combination scopes out common control business combinations. LKAS 8 – Accounting policies, Changes in Accounting estimates and errors – requires that in the absence of specific guidance in SLFRS, management should use its judgment in developing and applying an accounting policy that is relevant and reliable. Accordingly, The Group selected pooling of interest

method as the most appropriate method for accounting the business combinations involving business under common control.

The concept underlying the use of pooling of interest method to account for a business combination is that no acquisition has occurred and there has been a continuation of the risks and benefits to the controlling party (or parties) that existed prior to the business combination.

Under the pooling of interest method, the net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. The assets and liabilities of the acquired entity is recorded at the book values as stated in the financial statements of the controlling party.

No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

***Investment in Associate***

An Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its Associate is accounted for using the equity method. under the equity method, the investment in an Associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the Associate since the acquisition date. Goodwill relating to the Associate is included in the carrying amount of the investment and is not tested for impairment individually.

Equity method of accounting has been applied for associate financial statements using their corresponding/matching 12 month financial period.

The income statement reflects the Group's share of the results of operations of the Associate. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the Associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the Associate is eliminated to the extent of the interest in the Associate.

The aggregate of the Group's share of profit or loss of an Associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the Subsidiaries of the Associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its Associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value, and then recognises the loss as 'Share of results of an Associate' in the income statement.

Upon loss of significant influence over the Associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

The accounting policies of Associate companies conform to those used for similar transactions of the Group.

## 1.3. Changes in Accounting Policies and Significant Accounting judgements, estimates and Assumptions

### 1.3.1 Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those used in the previous year.

***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 judgements, estimates an 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 judgements 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. Other disclosures relating to the Group's exposure to risks and uncertainties includes:

| | | |
|---|---|---|
| ⊙ | Capital management | Note 12.6 |
| ⊙ | Financial risk management and policies | Note 12 |
| ⊙ | Sensitivity analysis disclosures | Note 12.4/12.5 |

***Valuation 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 other comprehensive income and in the statement of equity. The Group engaged independent valuation specialists to determine fair value of investment properties and land and buildings as at 31 March 2016. In addition, it carries its investment properties at fair value, with changes in fair value being recognised in the income statement.

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. Refer note 13 and 15 for further the explanations.

***Useful lives of items of property, plant and equipment***

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with LKAS 8 Accounting policies, changes in accounting estimates and errors.

***Impairment of non-financial assets***

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 future cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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.

***Taxes***

The Group is subject to Income Tax and other taxes including Value Added Tax. Significant judgement was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long- term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

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 judgement 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. 252 mn (2015 - Rs. 658 mn). These losses relate to the Subsidiary that had 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 or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

***Transfer Pricing regulation***

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

Further details on taxes are disclosed in note 8.

***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 30.

***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 entirety 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 lead 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, 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. Further details are disclosed 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 judgement is required in establishing fair values. The judgements 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. Refer note 11 for further the explanations.

***Customer loyalty awards points***

The retail segment of the Group operates the Nexus loyalty program where customers accumulate points for purchases made which entitle them to redeem such points on future purchases. The cost of Nexus loyalty points is part of the fair value of the consideration

received and recognised as a liability and subsequently recognised over the period that the award points are redeemed. The value of points awarded is treated as a deduction from revenue. Nexus membership is valid for a period of 3 years and if a member fails to renew his membership within 3 months from such expiry, his entitlement to reward points would be null and void.

## 1.4 Summary of Significant Accounting Policies

### 1.4.1 Business combinations and goodwill

Acquisitions 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 less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the Company's identifiable assets acquired. If this consideration is lower than the fair value of the acquired assets, the difference is recognised in the income statement.

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 off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

### 1.4.2 Foreign currency translation

***Foreign currency transactions and balances***

The Group's financial statements are presented in Sri Lankan 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 translated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

***Associate's operations***

Financial statements of the Associate is presented in United States Dollars being its functional currency. Associate's financial statements are translated to Sri Lankan rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period.

The exchange difference arising on the translation are taken directly to other comprehensive income. On disposal of the Associate, the deferred cumulative amount recognised in other comprehensive income relating to the Associate is recognised in the income statement.

### 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 Subsidiary, Associate 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.

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 income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

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 income statement.

***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 an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and
- 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 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non- current.

A liability is current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

***Fair value measurement***

The Group measures financial instruments such as non-financial assets at fair value at each reporting date. Fair value related

disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions — Note 1.3.2
- Quantitative disclosures of fair value measurement hierarchy — Note 11.2
- Property, plant and equipment under revaluation model — Note 13.2
- Financial instruments (including those carried at amortised cost) — Note 11

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 —Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group and the Company management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non- recurring measurement, such as assets held for distribution in discontinued operations.

External Valuers are involved for valuation of significant assets such as investment properties and land and buildings, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the Group after discussion with and approval by the Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. After discussions with the Group's External Valuers, valuation techniques and inputs to use for each case are determined.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with the Group's External Valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 1.4.5 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 Group and the cost of the asset can be reliably measured.

***Basis of measurement***

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and 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 land and building at least once every 5 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 related to the particular asset being sold is transferred to retained earnings.

***Derecognition***

An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

***Depreciation***

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

The estimated useful life of assets is as follows:

| Assets | Years |
|---|---|
| Buildings | 10-50 |
| Building on leasehold land* | 10 |
| Plant and machinery | 3-30 |
| Equipment, furniture and fittings | 5- 15 |
| Motor vehicles | 3-15 |
| Others assets | 3-20 |
| Returnable containers | 4 -10 |

⊙ *useful life of the building on leasehold 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 assets residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

## 1.4.6 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 leases***

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership over the terms of the lease, are classified as operating leases.

Lease payments are recognised as an expense in the income statement on a straight line basis over the terms of the leases.

### 1.4.7 Leasehold property

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Details of the Leasehold property are given in note 40 to the financial statements.

### 1.4.8 Investment properties

***Basis of measurement***

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

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.

***Derecognition***

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

### 1.4.9 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 to income statement in the year in which the expenditure is incurred.

***Useful economic lives, amortisation and impairment***

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash- generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

***Purchased software***

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

***Software licence***

Software licence costs are recognised as an intangible asset and amortised over the period of expected future usage of related ERP systems.

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

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

***Derecognition***

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

## 1.4.10 Financial instruments initial recognition and subsequent measurement

### *1.4.10.1 Financial assets - Initial recognition and measurement*

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

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

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

### *1.4.10.2 Financial assets - 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 are recognised in the income statement in finance costs.

### *1.4.10.3 Financial assets - Derecognition*

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

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

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***1.4.10.4 Financial assets - Impairment***

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- trade and other receivables Note 12.1.4

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.

***1.4.10.5 Financial liabilities - Initial recognition and measurem***ent

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.

***1.4.10.6 Financial liabilities - Subsequent measurement***

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

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Group has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

*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 derecognised 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.

#### *1.4.10.7 Financial liabilities - Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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

#### *1.4.10.8 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.

#### *1.4.10.9 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.

### 1.4.11 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

| | |
|---|---|
| ⊙ Intangible assets | Note 14 |
| ⊙ Goodwill and intangible assets with indefinite lives | Note 14 |

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Income Statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation

***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.

### 1.4.12 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 |

### 1.4.13 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 statement of cashflows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 1.4.14 Employee share option plan

In accounting for employee remuneration in the form of shares, SLFRS 2- Share based payment, is effective for the Group, from the financial year beginning 2013/14.

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

The employee remuneration expense resulting from the John Keells Group's Employees Share Option (ESOP) scheme to the employees of the Group is recognised in the income statements of the Group. This transaction does not result in a cash outflow and the expense recognised is met with a corresponding equity reserve increase, thus having no impact on the statement of financial position. The fair value of the options granted is determined by using an option pricing model.

***Equity-settled transactions***

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in the share based payment plan note 27.

No expense is recognised for awards that do not ultimately vest, except for equity- settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

### 1.4.15 Defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in statement of comprehensive income.

### 1.4.16 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 contributes the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

### 1.4.17 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.

### 1.4.18 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 tenure of the distributorship and number of return crates and containers. Any difference between the calculated liability and the book balance is transferred to the Income Statement.

### 1.4.19 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.

***Turnover based taxes***

Turnover based taxes include value added tax, economic service charge and nation building tax. 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.

***Finance 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.

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.

### 1.4.20 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 Group's performance.

***Finance cost***

Finance cost comprises of interest expense on borrowings that are recognised in the income statement.

***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, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual period commencing on or after 01 January 2018. However the effective date has been deferred subsequently.

*b) SLFRS 14 - Regulatory Deferral Accounts*

SLFRS 14 is an interim standard which provides relief for first time -adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

SLFRS 14 is effective for annual periods beginning on or after 1 January 2016.

*c) SLFRS 15 - Revenue from Contracts with Customers*

SLFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under SLFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SLFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under SLFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of SLFRS 15 and plans to adopt the new standard on the required effective date.

The following amendments and improvements are not expected to have a significant impact on the Company's/Group's consolidated financial statements.

- Accounting for acquisitions of interests in joint operations (Amendments to SLFRS 11).
- Clarification of acceptable methods of depreciation and amortisation (Amendments to LKAS 16 and LKAS 38).
- Equity method in separate financial statements (Amendments to LKAS 27).
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to SLFRS 10 and LKAS 28).
- Annual improvements to SLFRSs 2012–2014 Cycle – various standards.
- Investment entities: Applying the consolidation exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure initiative (Amendments to LKAS 1).

## 1.6 Segment Information / Operating Segments

There are two segments identified as manufacturing and retailing. Manufacturing business is mainly carried out by the Company and retailing is carried out by the fully-owned Subsidiary Jaykay Marketing Services (Pvt) Ltd.

Each of these operating segments are 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.

Segment information has been prepared in conformity with the Accounting policies adopted for preparing and presenting the consolidated financial statement of the Group.

| For the year ended 31st March<br>In Rs.'000s | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |

## 2 REVENUE

### 2.1 Revenue

| | | | | |
|---|---|---|---|---|
| Sale of goods | **34,355,507** | 28,037,705 | **12,190,925** | 9,768,129 |
| VAT on deemed supplies | **(286,296)** | (338,646) | **-** | - |
| Net revenue | **34,069,211** | 27,699,059 | **12,190,925** | 9,768,129 |

### 2.2 Geographical segment analysis (by location of customers)

| | | | | |
|---|---|---|---|---|
| Sri Lanka | **33,814,083** | 27,461,479 | **11,935,797** | 9,530,549 |
| Others | **255,128** | 237,580 | **255,128** | 237,580 |
| Total net revenue | **34,069,211** | 27,699,059 | **12,190,925** | 9,768,129 |

### 2.3 Operating segments

The following tables present revenue, profit information and segment assets regarding the Group's operating segments.

| | Manufacture | | Retail | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| External Revenue | **11,923,667** | 9,451,273 | **22,145,544** | 18,247,786 | **34,069,211** | 27,699,059 |
| Inter segment revenue | **267,258** | 316,856 | **-** | - | **267,258** | 316,856 |
| Segment Revenue | **12,190,925** | 9,768,129 | **22,145,544** | 18,247,786 | **34,336,469** | 28,015,915 |
| Elimination | **-** | - | **-** | - | **(267,258)** | (316,856) |
| Revenue | **12,190,925** | 9,768,129 | **22,145,544** | 18,247,786 | **34,069,211** | 27,699,059 |
| Segment operating profit | **2,948,822** | 1,600,990 | **1,237,114** | 572,640 | **4,185,936** | 2,173,630 |
| Finance costs | **(10,860)** | (23,620) | **(704)** | (36,899) | **(11,564)** | (60,519) |
| Finance income | **98,277** | 42,058 | **41,611** | 13,618 | **139,888** | 55,676 |
| Change in fair value of investment property | **16,947** | 8,975 | **-** | - | **16,947** | 8,975 |
| Share of results of equity accounted investees | **-** | - | **-** | - | **(21,191)** | (17,911) |
| Eliminations / adjustments | **-** | - | **-** | - | **(289,883)** | (13,186) |
| Profit before tax | **3,053,186** | 1,628,403 | **1,278,021** | 549,359 | **4,020,133** | 2,146,665 |
| Tax Expense | **(772,173)** | (452,005) | **(373,087)** | (169,165) | **(1,145,260)** | (621,170) |
| Profit/( Loss) for the year | **2,281,013** | 1,176,398 | **904,934** | 380,194 | **2,874,873** | 1,525,495 |
| Reportable Segment Assets | **7,632,274** | 6,432,486 | **6,130,193** | 4,516,442 | **13,718,280** | 10,923,487 |
| Capital Expenditure | **544,314** | 182,921 | **832,085** | 466,638 | **1,376,399** | 649,559 |
| Reportable Segment Liabilities | **3,174,024** | 2,524,052 | **4,349,232** | 3,336,424 | **7,485,638** | 5,838,775 |

*Inter-segment revenue and inter-company balances are eliminated on consolidation

*Segment asset do not include goodwill, investment property, investment in Subsidiary and investment in Associate

| For the year ended 31st March In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **3 OTHER OPERATING INCOME** | | | | |
| Exchange gain/(loss) | 19,799 | (1,395) | 17,739 | (1,633) |
| Promotional income | 1,156,569 | 874,606 | - | - |
| Write back of dealer deposits | 12,410 | 28,238 | 12,410 | 28,238 |
| Scrap sales | 14,052 | 11,876 | 14,052 | 11,876 |
| Rental income | 109,154 | 117,930 | - | - |
| Franchise income | 28,312 | 27,657 | 4,831 | 4,779 |
| Gain on lease rights forgone | 36,307 | 6,293 | - | - |
| Dividend income | - | - | 291,023 | 18,000 |
| Sundry income | 179,495 | 131,491 | 23,294 | 35,872 |
| | 1,556,098 | 1,196,696 | 363,349 | 97,132 |
| **4 OTHER OPERATING EXPENSES** | | | | |
| Nation Building Tax | 466,455 | 378,051 | 218,296 | 170,185 |
| Spoilage and wastage | 51,511 | 70,925 | 51,511 | 74,595 |
| Bank charges | 8,193 | 5,329 | 6,229 | 3,777 |
| Cash collection charges | 13,229 | 18,475 | - | - |
| Loss on disposal of plant and equipment | 39,511 | 29,309 | 19,922 | 4,617 |
| Other expenses | 4,298 | 6,649 | 2,583 | 2,373 |
| | 583,197 | 508,738 | 298,541 | 255,547 |
| **5 FINANCE COST** | | | | |
| Interest expense on borrowings | | | | |
| Long term | 10,741 | 23,424 | 10,741 | 23,424 |
| Short term | 823 | 37,095 | 119 | 196 |
| | 11,564 | 60,519 | 10,860 | 23,620 |
| **6 FINANCE INCOME** | | | | |
| Interest income - staff loan | 17,000 | 16,658 | 11,451 | 11,734 |
| Interest income - short term investments | 122,888 | 39,018 | 86,826 | 30,324 |
| | 139,888 | 55,676 | 98,277 | 42,058 |

| For the year ended 31st March<br>In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **7 PROFIT BEFORE TAX** | | | | |
| Profit before tax is stated after charging all expenses including the following; | | | | |
| Remuneration to executive directors | **91,366** | 95,056 | **45,507** | 47,593 |
| Remuneration to non executive directors | **9,350** | 8,625 | **7,550** | 6,750 |
| Auditors' remuneration | | | | |
| Audit | **2,129** | 2,193 | **1,422** | 1,355 |
| Non-audit | **246** | 141 | **246** | 141 |
| Costs of defined employee benefits | | | | |
| Defined benefit plan cost | **62,600** | 63,269 | **46,418** | 48,522 |
| Defined contribution plan cost - EPF and ETF | **186,088** | 157,785 | **111,722** | 95,036 |
| Staff expenses | **2,864,988** | 2,425,371 | **1,589,360** | 1,331,726 |
| Excise duty | **928,532** | 778,773 | **928,532** | 778,773 |
| Depreciation of property, plant and equipment | **646,994** | 693,406 | **395,671** | 457,042 |
| Amortisation of intangible assets | **10,859** | 10,659 | **3,684** | 3,703 |
| Operating lease payments | **34,668** | 33,018 | **34,668** | 33,018 |
| Donations | **261** | 5,705 | **81** | 5,581 |
| Corporate social responsibility related expenses | **26,000** | 12,000 | **16,000** | 12,000 |
| **8 TAX EXPENSE** | | | | |
| Current income tax | | | | |
| Tax charge for the year | **950,717** | 450,627 | **738,918** | 370,698 |
| (Over)/Under provision of current tax of previous years | **(1,457)** | 12,567 | **-** | 12,567 |
| | **949,260** | 463,194 | **738,918** | 383,265 |
| Deferred tax | | | | |
| Relating to origination and reversal of temporary differences | **196,000** | 157,976 | **33,255** | 68,740 |
| | **1,145,260** | 621,170 | **772,173** | 452,005 |
| **8.1 Reconciliation between current tax charge and the accounting profit** | | | | |
| Profit before tax | **4,020,133** | 2,146,665 | **3,053,186** | 1,628,403 |
| Share of results of equity accounted investees | **21,191** | 17,911 | **-** | - |
| Consolidation adjustments | **289,883** | 13,186 | **-** | - |
| Profit after adjustments | **4,331,207** | 2,177,762 | **3,053,186** | 1,628,403 |
| Exempt profits | **(13,228)** | (9,433) | **(13,228)** | (9,433) |
| Income not liable for income tax | **(293,991)** | (22,027) | **(293,991)** | (22,027) |
| Adjusted accounting profit chargeable to income taxes | **4,023,988** | 2,146,302 | **2,745,967** | 1,596,943 |
| Disallowable expenses | **919,029** | 978,131 | **556,311** | 636,233 |
| Allowable expenses | **(1,044,925)** | (1,237,459) | **(569,729)** | (764,918) |
| Qualifying payment deductions | **(69,149)** | (129,437) | **(69,149)** | (129,437) |
| Utilisation of tax losses | **(409,117)** | (133,254) | **-** | - |
| Taxable income | **3,419,826** | 1,624,283 | **2,663,400** | 1,338,821 |
| Income tax charged at | | | | |
| Standard rate of 28% | **945,591** | 447,498 | **733,792** | 367,569 |
| Other concessionary rates | **5,126** | 3,129 | **5,126** | 3,129 |
| Under provision for previous years | **(1,457)** | 12,567 | **-** | 12,567 |
| Current tax charge | **949,260** | 463,194 | **738,918** | 383,265 |

| For the year ended 31st March In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **8.2 Reconciliation between Income tax expense and the product of accounting profit** | | | | |
| Adjusted accounting profit chargeable to income taxes | **4,023,988** | 2,146,302 | **2,745,967** | 1,596,943 |
| Tax effect on chargeable profits | **1,119,658** | 596,123 | **761,812** | 442,114 |
| Tax effect on non deductible expenses | **54,722** | 48,504 | **38,024** | 33,796 |
| Tax effect on deductions claimed | **(27,663)** | (36,472) | **(27,663)** | (36,472) |
| Net tax effect of unrecognised deferred tax assets for the year | - | 448 | - | - |
| Under/(over) provision for previous years | **(1,457)** | 12,567 | - | 12,567 |
| Tax expense | **1,145,260** | 621,170 | **772,173** | 452,005 |
| **8.3 Tax losses carried forward** | | | | |
| Tax losses brought forward | **658,135** | 790,950 | - | - |
| Adjustments on finalisation of liability | **2,801** | 440 | - | - |
| Utilisation of tax losses | **(409,117)** | (133,255) | - | - |
| | **251,819** | 658,135 | - | - |
| **8.4 Deferred tax expense** | | | | |
| Income statement | | | | |
| Deferred tax expense arising from; | | | | |
| Accelerated depreciation for tax purposes | **59,360** | 129,208 | **25,907** | 75,412 |
| Revaluation of land and buildings | **29,794** | - | **28,142** | - |
| Employee benefit liabilities | **(6,922)** | (8,420) | **(5,770)** | (6,672) |
| Benefit arising from tax losses | **113,768** | 37,188 | - | - |
| Deferred tax charge | **196,000** | 157,976 | **33,255** | 68,740 |
| Other comprehensive income | | | | |
| Deferred tax expense arising from; | | | | |
| Employee benefit liabilities | **1,830** | 5,383 | **1,141** | 6,229 |
| Revaluation of land and buildings | **7,887** | 1,157 | **9,027** | - |
| Deferred tax on other comprehensive income | **9,717** | 6,540 | **10,168** | 6,229 |
| Total deferred tax charge | **205,717** | 164,516 | **43,423** | 74,969 |

| | Year of investment | Cost of approved investments | Relief claimed on investments |
|---|---|---|---|
| **8.5 Details of investment relief claimed** | | | |
| Ceylon Cold Stores PLC. | 2011/2012 | 256,702 | 256,702 |
| | 2012/2013 | 167,104 | 167,104 |
| | 2013/2014 | 72,801 | 54,601 |

The company is eligible for qualifying payment relief granted under Section 34(2)(s) of the Inland Revenue Act, No. 10 of 2006 and amendments thereto. The Company has carried forward the unclaimed investment relief to set off in future years.

## 8.6 Applicable rates of income tax

The tax liability of the Group is computed at the standard rate of 28% except for the following partial exemptions and concessions.

| Group | Basis | Exemptions or concessions | Period |
|---|---|---|---|
| Exemptions / concessions granted under the Inland Revenue Act<br>Ceylon Cold Stores PLC. | Off-Shore activities for payment in foreign currency | Exempt | Open-ended |
| | Qualified export profits | 12% | Open-ended |

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| **9 EARNINGS PER SHARE** | | |
| Basic earnings per share | | |
| Profit for the year | **2,874,873** | 1,525,495 |
| Dividend on preference shares (net of tax) | **(13)** | (13) |
| Profit attributable to equity holders of the parent | **2,874,860** | 1,525,482 |
| Weighted average number of ordinary shares | **95,040** | 95,040 |
| Basic earnings per share | **30.25** | 16.05 |

## 9.1 Amount used as denominator

| | | |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the year | 95,040 | 95,040 |

## 10 DIVIDEND PER SHARE

| Equity dividend on ordinary shares | Rs. | 2016 | Rs. | 2015 |
|---|---|---|---|---|
| Declared and paid during the year | | | | |
| Final dividend* | **6.00** | **570,240** | 6.00 | 570,240 |
| Interim dividends paid | **12.00** | **1,140,480** | 5.00 | 475,200 |
| Total dividend | **18.00** | **1,710,720** | 11.00 | 1,045,440 |

*Previous years' final dividend paid in the current financial year.

The Final Dividend paid of Rs. 10.00 per share on the 20th of May 2016 for this financial year has not been recognised as at the Reporting date in compliance with LKAS 10 - Event after the Reporting Period.

## 11 FINANCIAL INSTRUMENTS

### 11.1 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

| | Group | | Company | |
|---|---|---|---|---|
| Financial assets by categories | Loans and receivables | | Loans and receivables | |
| As at 31 st March<br>In Rs. '000 | 2016 | 2015 | 2016 | 2015 |
| Financial instruments in non-current assets | | | | |
| Non-current financial assets | **130,607** | 92,790 | **80,364** | 64,517 |
| Financial instruments in current assets | | | | |
| Trade and other receivables | **1,746,096** | 1,481,088 | **1,414,734** | 1,253,607 |
| Amounts due from related parties | **6,194** | 7,073 | **42,527** | 34,594 |
| Short term investments | **2,064,523** | 808,415 | **1,304,905** | 730,256 |
| Cash in hand and at bank | **224,090** | 116,192 | **103,103** | 42,867 |
| Total | **4,171,510** | 2,555,558 | **2,945,633** | 2,125,841 |

| | Group | | Company | |
|---|---|---|---|---|
| Financial liabilities by categories | Financial liabilities measured at amortised cost | | Financial liabilities by amortised cost | |
| As at 31 st March<br>In Rs. '000 | 2016 | 2015 | 2016 | 2015 |
| Financial instruments in non-current liabilities | | | | |
| Borrowings | **15,000** | 84,073 | **15,000** | 84,073 |
| Financial instruments in current liabilities | | | | |
| Trade and other payables | **4,038,576** | 2,982,473 | **976,581** | 645,002 |
| Amounts due to related parties | **122,639** | 126,411 | **1,257** | 8,099 |
| Current portion of borrowings | **69,073** | 101,264 | **69,073** | 101,264 |
| Bank overdrafts | **583,355** | 523,597 | **168,219** | 105,546 |
| Total | **4,828,643** | 3,817,818 | **1,230,130** | 943,984 |

The management assessed that fair value of cash in hand and at bank, short term investments, amounts due from related parties, trade and other receivables, bank overdrafts, current portion of borrowings, amounts due to related parties and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.

### 11.2 Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group held the following financial instruments carried at fair value in the statement of financial position:

### Non Financial Assets - Group

| | Date of Valuation | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|---|
| As at 31 st March<br>In Rs. '000 | | 2016<br>Rs | 2015<br>Rs | 2016<br>Rs | 2015<br>Rs | 2016<br>Rs | 2015<br>Rs |
| Assets measured at fair value | | | | | | | |
| Property, Plant and Equipment | | | | | | | |
| Land and buildings | 31.03.2016 | - | - | - | - | **1,104,000** | 1,053,916 |
| Buildings on lease hold land | 31.03.2016 | - | - | - | - | **152,400** | 5,449 |
| Investment Property | | | | | | | |
| Land and buildings | 31.03.2016 | - | - | - | - | **111,404** | 94,457 |

### Non Financial Assets - Company

| | Date of Valuation | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|---|
| As at 31 st March<br>In Rs. '000 | | 2016<br>Rs | 2015<br>Rs | 2016<br>Rs | 2015<br>Rs | 2016<br>Rs | 2015<br>Rs |
| Assets measured at fair value | | | | | | | |
| Property, Plant and Equipment | | | | | | | |
| Land and buildings | 31.03.2016 | - | - | - | - | **1,104,000** | 1,053,916 |
| Investment Property | | | | | | | |
| Land and buildings | 31.03.2016 | - | - | - | - | **111,404** | 94,457 |

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also the valuers have made reference to market evidence of the transaction prices for similar properties, with appropriate adjustments for the size and location. The appraised fair value are rounded within the range of values.

| 2016<br>Basis of Valuation of Non Financial Assets | Valuation Techniques | Sensitivity of fair value to unobservable Input | Unobservable Inputs | Range of unobservable inputs (probability weighted average) | Extent<br>Land (Perches)<br>Buildings (Square feet)<br>Group | <br><br><br>Company |
|---|---|---|---|---|---|---|
| Property, Plant and Equipment | | | | | | |
| Land | Open Market | Positively Correlated | Per Perch Value | Rs. 100,000-Rs.130,000 | 4,558.40 | 4,558.40 |
| Buildings | Open Market | Positively Correlated | Per Square foot Value | Rs. 165-Rs.3500 | 359,634 | 312,042 |
| Investment Property | | | | | | |
| Land | Open Market | Positively Correlated | Per Perch Value | Rs. 650,000 | 169.55 | 169.55 |
| Buildings | Open Market | Positively Correlated | Per Square foot Value | Rs. 50 | 23,840 | 23,840 |

| 2015<br>Basis of Valuation of Non Financial Assets | Valuation Techniques | Sensitivity of fair value to unobservable Input | Unobservable Inputs | Range of Unobservable Inputs (Probability Weighted Average) | Extent<br>Land (Perches)<br>Buildings (Square feet)<br>Group | <br><br><br>Company |
|---|---|---|---|---|---|---|
| Property, Plant and Equipment | | | | | | |
| Land | Open Market | Positively Correlated | Per Perch Value | Rs. 100,000-Rs.130,000 | 4,558.40 | 4,558.40 |
| Buildings | Open Market | Positively Correlated | Per Square foot Value | Rs. 165-Rs.3500 | 331,362 | 312,042 |
| Investment Property | | | | | | |
| Land | Open Market | Positively Correlated | Per Perch Value | Rs. 650,000 | 169.55 | 169.55 |
| Buildings | Open Market | Positively Correlated | Per Square foot Value | Rs. 50 | 23,840 | 23,840 |

## 12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Group, principally comprise of cash in hand and at bank, short term investments, loans to executives, trade and other receivables, trade and other payables and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

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.

### 12.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments, investment loan, and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfil their obligations.

#### 12.1.1 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available).Following table shows the maximum risk positions.

| | | Group | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2016<br>In Rs. '000 | Notes | Other 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 | 12.1.2 | - | - | - | 2,064,523 | - | 2,064,523 | 49% |
| Loans to executives | 12.1.3 | 130,607 | - | 42,600 | - | - | 173,207 | 4% |
| Trade and other receivables | 12.1.4 | - | - | 1,703,496 | - | - | 1,703,496 | 42% |
| Amounts due from related parties | 12.1.5 | - | - | - | - | 6,194 | 6,194 | 0% |
| Cash in hand and at bank | 12.1.6 | - | 224,090 | - | - | - | 224,090 | 5% |
| Total credit risk exposure | | 130,607 | 224,090 | 1,746,096 | 2,064,523 | 6,194 | 4,171,510 | 100% |

| 2015<br>In Rs. '000 | Notes | Other 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 | 12.1.2 | - | - | - | 808,415 | - | 808,415 | 32% |
| Loans to executives | 12.1.3 | 92,790 | - | 37,077 | - | - | 129,867 | 5% |
| Trade and other receivables | 12.1.4 | - | - | 1,444,011 | - | - | 1,444,011 | 56% |
| Amounts due from related parties | 12.1.5 | - | - | - | - | 7,073 | 7,073 | 0% |
| Cash in hand and at bank | 12.1.6 | - | 166,192 | - | - | - | 166,192 | 7% |
| Total credit risk exposure | | 92,790 | 166,192 | 1,481,088 | 808,415 | 7,073 | 2,555,558 | 100% |

Company

| 2016<br>In Rs. '000 | Notes | Other 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 | 12.1.2 | - | - | - | 1,304,905 | - | 1,304,905 | 44% |
| Loans to executives | 12.1.3 | 80,364 | - | 30,588 | - | - | 110,952 | 4% |
| Trade and other receivables | 12.1.4 | - | - | 1,384,146 | - | - | 1,384,146 | 47% |
| Amounts due from related parties | 12.1.5 | - | - | - | - | 42,527 | 42,527 | 1% |
| Cash in hand and at bank | 12.1.6 | - | 103,103 | - | - | - | 103,103 | 4% |
| Total credit risk exposure | | 80,364 | 103,103 | 1,414,734 | 1,304,905 | 42,527 | 2,945,633 | 100% |

| 2015<br>In Rs. '000 | Notes | Other 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 | 12.1.2 | - | - | - | 730,256 | - | 730,256 | 34% |
| Loans to executives | 12.1.3 | 64,517 | - | 29,134 | - | - | 93,651 | 4% |
| Trade and other receivables | 12.1.4 | - | - | 1,224,473 | - | - | 1,224,473 | 58% |
| Amounts due from related parties | 12.1.5 | - | - | - | - | 34,594 | 34,594 | 2% |
| Cash in hand and at bank | 12.1.6 | - | 42,867 | - | - | - | 42,867 | 2% |
| Total credit risk exposure | | 64,517 | 42,867 | 1,253,607 | 730,256 | 34,594 | 2,125,841 | 100% |

### 12.1.2 Government securities

As at 31 March 2016 as shown in table above, 49% (2015-32%) of Group's investments in government securities consist of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument

### 12.1.3 Loans to executives

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

### 12.1.4 Trade and other receivables

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 st March<br>In Rs. '000 | Days | 2016 | 2015 | 2016 | 2015 |
| Neither past due nor impaired | | | | | |
| | <30 | **1,459,132** | 1,244,999 | **1,203,314** | 1,075,045 |
| | 30–60 | **182,543** | 140,806 | **135,512** | 113,190 |
| | 61–90 | **23,322** | 21,686 | **11,587** | 11,908 |
| Past due but not impaired | | | | | |
| | 91–120 | **32,790** | 10,116 | **31,925** | 3,214 |
| | 121–180 | **4,947** | 5,365 | **1,808** | 4,014 |
| | > 181 | **762** | 21,039 | **-** | 17,102 |
| Impaired | | **18,329** | 19,917 | **15,857** | 16,608 |
| Gross carrying value | | **1,721,825** | 1,463,928 | **1,400,003** | 1,241,081 |
| Less: impairment provision | | | | | |
| Individually assessed impairment provision | | **(18,329)** | (19,917) | **(15,857)** | (16,608) |
| Total | | **1,703,496** | 1,444,011 | **1,384,146** | 1,224,473 |

The Company has obtained Bank guarantees from customers by reviewing their past performance and credit worthiness, as collateral.
The requirement for an impairment is analysed at each reporting date on an individual basis for clients. The calculation is based on actual data.

### 12.1.5 Amounts due from related parties

The Group balance consists of the balance from affiliate companies and Parent.

### 12.1.6 Credit risk relating to cash and cash equivalents

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 counterparty. In addition, the Company and the Subsidiary maintains an authorised list of acceptable cash counterparties 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. 1,705 Mn at 31 March 2016 (2015 - Rs. 451 Mn)

## 12.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, overdrafts over a broad spread of maturities.

### 12.2.1 Net (debt)/cash

| As at 31 st March<br>In Rs. '000 | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Short term investments | 2,064,523 | 808,415 | 1,304,905 | 730,256 |
| Cash in hand and at bank | 224,090 | 166,192 | 103,103 | 42,867 |
| Total liquid Assets | 2,288,613 | 974,607 | 1,408,008 | 773,123 |
| Borrowings | 15,000 | 84,073 | 15,000 | 84,073 |
| Current portion of borrowings | 69,073 | 101,264 | 69,073 | 101,264 |
| Bank overdrafts | 583,355 | 523,597 | 168,219 | 105,546 |
| Total liabilities | 667,428 | 708,934 | 252,292 | 290,883 |
| Net Cash | 1,621,185 | 265,673 | 1,155,716 | 482,240 |

### 12.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

### Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2016 based on contractual undiscounted payments.

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| 2016<br>In Rs. '000 | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>5 years | Total |
| Financial instruments in non-current liabilities | | | | | | | |
| Borrowings | - | 15,394 | - | - | - | - | 15,394 |
| Financial instruments in current liabilities | | | | | | | |
| Trade and other payables | 4,038,576 | - | - | - | - | - | 4,038,576 |
| Amounts due to related parties | 122,639 | - | - | - | - | - | 122,639 |
| Current portion of borrowings | 73,289 | - | - | - | - | - | 73,289 |
| Bank overdrafts | 583,355 | - | - | - | - | - | 583,355 |
| | 4,817,859 | 15,394 | - | - | - | - | 4,833,253 |

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| 2015<br>In Rs. '000 | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>5 years | Total |
| Financial instruments in non-current liabilities | | | | | | | |
| Borrowings | - | 72,638 | 15,328 | - | - | - | 87,966 |
| Financial instruments in current liabilities | | | | | | | |
| Trade and other payables | 2,982,473 | - | - | - | - | - | 2,982,473 |
| Amounts due to related parties | 126,411 | - | - | - | - | - | 126,411 |
| Current portion of borrowings | 111,204 | - | - | - | - | - | 111,204 |
| Bank overdrafts | 523,597 | - | - | - | - | - | 523,597 |
| | 3,743,685 | 72,638 | 15,328 | - | - | - | 3,831,651 |

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| 2016<br>In Rs. '000 | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>5 years | Total |
| Financial instruments in non-current liabilities | | | | | | | |
| Borrowings | - | 15,394 | - | - | - | - | 15,394 |
| Financial instruments in current liabilities | | | | | | | |
| Trade and other payables | 976,581 | - | - | - | - | - | 976,581 |
| Amounts due to related parties | 1,257 | - | - | - | - | - | 1,257 |
| Current portion of borrowings | 73,289 | - | - | - | - | - | 73,289 |
| Bank overdrafts | 168,219 | - | - | - | - | - | 168,219 |
| | 1,219,346 | 15,394 | - | - | - | - | 1,234,740 |

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| 2015<br>In Rs. '000 | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>5 years | Total |
| Financial instruments in non-current liabilities | | | | | | | |
| Borrowings | - | 72,638 | 15,328 | - | - | - | 87,966 |
| Financial instruments in current liabilities | | | | | | | |
| Trade and other payables | 645,002 | - | - | - | - | - | 645,002 |
| Amounts due to related parties | 8,099 | - | - | - | - | - | 8,099 |
| Current portion of borrowings | 111,204 | - | - | - | - | - | 111,204 |
| Bank overdrafts | 105,546 | - | - | - | - | - | 105,546 |
| | 869,851 | 72,638 | 15,328 | - | - | - | 957,817 |

## 12.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return. The Group and Company do not have a direct impact from Commodity price risk and Equity price risk.

The sensitivity analysis in the following sections relate to the position as at 31 March 2016 and 2015.
The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligation provision and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity relates to financial assets and financial liabilities.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2016 and 2015.

## 12.4 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).

| | | Group | Company |
|---|---|---|---|
| | Increase/ (decrease) in basis points | Effect on profit before tax Rs'000 | Effect on profit before tax Rs'000 |
| 2016 | + 150 basis points | 812 | 812 |
| | - 150 basis points | (812) | (812) |
| 2015 | + 150 basis points | 3,194 | 3,194 |
| | - 150 basis points | (3,914) | (3,914) |

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

## 12.5 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 Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. JKH Group treasury analyses the market condition of foreign exchange and provides market updates to the GEC, with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency.

For the purpose of the consolidated financial statements, an impact will arise on the translation of the financial statements of Waterfront Properties (Pvt) Ltd recognised as equity accounted investee whose reporting currency is United States Dollars (USD). However, the Group's exposure is limited to its holding in Waterfront Properties (Pvt) Ltd at a given point in time. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

| | | Group | | Company | |
|---|---|---|---|---|---|
| Exchange rate<br>In Rs. '000 | Increase (+)/ decrease( -) in exchange rate | Effect on profit before tax LKR | Effect on equity LKR | Effect on profit before tax LKR | Effect on equity LKR |
| 2016 | | | | | |
| USD | +/- 10.15% | 3,067 | 605,684 | 3,067 | 605,684 |
| Euro | +/- 13.74% | 17 | 17 | 17 | 17 |
| 2015 | | | | | |
| USD | +/- 3.00% | 1,363 | 560,273 | 1,363 | 560,273 |
| Euro | +/- 11.00% | 108 | 108 | 108 | 108 |

Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

## 12.6 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 Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Debt / Equity | **5.41%** | 6.65% | **2.26%** | 2.74% |

| As at 31 st March | Land and building | Buildings on leasehold land improvements | Plant and machinery | Equipment, furniture and fittings | Motor vehicles | Returnable containers | Others | Capital work in progress | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| In Rs. '000s | | | | | | | | | | |
| **13 PROPERTY, PLANT AND EQUIPMENT** | | | | | | | | | | |
| **13.1** | | | | | | | | | | |
| Group | | | | | | | | | | |
| Cost or valuation | | | | | | | | | | |
| At the beginning of the year | 1,106,323 | 889,856 | 3,567,176 | 1,042,360 | 105,475 | 799,964 | 1,923,548 | 59,006 | **9,493,708** | 9,308,391 |
| Additions | 10,551 | 324,680 | 235,886 | 148,146 | 9,300 | 112,589 | 227,412 | 306,167 | **1,374,731** | 648,315 |
| Acquisition of subsidiary | - | - | - | - | - | - | - | - | **-** | 1,240 |
| Disposal/De-recognition | - | (2,987) | (40,011) | (103,349) | - | (64,423) | (89,320) | (524) | **(300,614)** | (417,676) |
| Revaluations | 54,308 | 4,075 | - | - | - | - | - | - | **58,463** | 4,133 |
| Impairment | - | - | - | - | - | - | - | - | **-** | (45,431) |
| Transfers | (52,253) | 11,316 | 21,766 | (5,772) | - | - | (13,581) | (58,725) | **(97,249)** | (5,264) |
| At the end of the year | 1,119,009 | 1,226,940 | 3,784,817 | 1,081,385 | 114,775 | 848,130 | 2,048,059 | 305,924 | **10,529,039** | 9,493,708 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| At the beginning of the year | (34,461) | (92,334) | (1,534,029) | (616,163) | (66,295) | (457,686) | (1,327,481) | - | **(4,128,449)** | (3,861,545) |
| Restatement of fully depreciated assets | - | - | - | - | - | - | 12,733 | - | **12,733** | - |
| Charge for the year | (17,948) | (57,837) | (256,501) | (107,531) | (3,787) | (81,966) | (121,424) | - | **(646,994)** | (693,406) |
| Acquisition of subsidiary | - | - | - | - | - | - | - | - | **-** | (921) |
| Disposal/De-recognition | - | 782 | 33,979 | 92,934 | - | 44,964 | 86,322 | - | **258,981** | 382,920 |
| Impairment | - | - | (8,562) | 2,355 | - | - | 6,207 | - | **-** | 39,239 |
| Transfers | 52,253 | 44,997 | - | - | - | - | - | - | **97,250** | 5,264 |
| At the end of the year | (156) | (104,392) | (1,765,113) | (628,405) | (70,082) | (494,688) | (1,343,643) | - | **(4,406,479)** | (4,128,449) |
| Carrying value: | | | | | | | | | | |
| As at 31 March 2016 | | | | | | | | | | |
| At valuation | 1,104,000 | 152,400 | - | - | - | - | - | - | **1,256,400** | |
| At cost | 14,853 | 970,148 | 2,019,704 | 452,980 | 44,693 | 353,442 | 704,416 | 305,924 | **4,866,160** | |
| | 1,118,853 | 1,122,548 | 2,019,704 | 452,980 | 44,693 | 353,442 | 704,416 | 305,924 | **6,122,560** | |
| As at 31 March 2015 | | | | | | | | | | |
| At valuation | 1,053,916 | 5,449 | - | - | - | - | - | - | | 1,059,365 |
| At Cost | 17,946 | 792,073 | 2,033,147 | 426,197 | 39,180 | 342,278 | 596,067 | 59,006 | | 4,305,894 |
| | 1,071,862 | 797,522 | 2,033,147 | 426,197 | 39,180 | 342,278 | 596,067 | 59,006 | | 5,365,259 |
| Company | | | | | | | | | | |
| Cost or valuation | | | | | | | | | | |
| At the beginning of the year | 1,106,323 | - | 2,635,741 | 55,867 | 105,247 | 799,963 | 1,730,918 | - | **6,434,059** | 6,461,116 |
| Additions | 10,551 | - | 72,874 | 10,109 | 9,300 | 112,589 | 193,321 | 134,823 | **543,567** | 182,468 |
| Disposal/De-recognition | | - | (2,586) | (3,227) | - | (64,423) | (54,909) | - | **(125,145)** | (209,525) |
| Revaluations | 54,388 | - | - | - | - | - | - | - | **54,388** | - |
| Transfers | (52,253) | - | 19,911 | (5,772) | - | - | (14,139) | - | **(52,253)** | - |
| At the end of the year | 1,119,009 | - | 2,725,940 | 56,977 | 114,547 | 848,129 | 1,855,191 | 134,823 | **6,854,616** | 6,434,059 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| At the beginning of the year | (34,461) | - | (1,126,780) | (33,091) | (66,067) | (457,685) | (1,195,508) | - | **(2,913,592)** | (2,659,755) |
| Restatement of fully depreciated assets | - | - | - | - | - | - | 12,733 | - | **12,733** | - |
| Charge for the year | (17,948) | - | (182,072) | (6,784) | (3,787) | (81,966) | (103,114) | - | **(395,671)** | (457,042) |
| Disposal/De-recognition | - | - | 1,841 | 3,173 | - | 44,964 | 54,880 | - | **104,858** | 203,205 |
| Transfers | 52,253 | - | (8,562) | 2,355 | - | - | 6,207 | - | **52,253** | - |
| At the end of the year | (156) | - | (1,315,573) | (34,347) | (69,854) | (494,687) | (1,224,802) | - | **(3,139,419)** | (2,913,592) |
| Carrying value: | | | | | | | | | | |
| As at 31 March 2016 | | | | | | | | | | |
| At valuation | 1,104,000 | - | - | - | - | - | - | - | **1,104,000** | |
| At Cost | 14,853 | - | 1,410,367 | 22,630 | 44,693 | 353,442 | 630,389 | 134,823 | **2,611,197** | |
| | 1,118,853 | | 1,410,367 | 22,630 | 44,693 | 353,442 | 630,389 | 134,823 | **3,715,197** | |
| Carrying value: | | | | | | | | | | |
| As at 31 March 2015 | | | | | | | | | | |
| At valuation | 1,053,916 | - | - | - | - | - | - | - | | 1,053,916 |
| At Cost | 17,946 | - | 1,508,961 | 22,776 | 39,180 | 342,278 | 535,410 | - | | 2,466,551 |
| | 1,071,862 | - | 1,508,961 | 22,776 | 39,180 | 342,278 | 535,410 | - | | 3,520,467 |

## 13.2 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 and they have carried out the valuation in accordance with Sri Lanka Accounting Standards and International Valuation Standards published by the International Valuation Standards Committee (IVSC). Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property.

| Property | Method of valuation | Effective date of valuation | Property valuer |
|---|---|---|---|
| Land and building of<br>Ceylon Cold Stores PLC.<br>Ranala | Open market value method | 31 March 2016 | P B Kalugalagedara, Chartered Valuation Surveyor |
| Buildings of<br>Jaykay Marketing Services (Pvt) Ltd<br>Colombo 05<br>Dehiwala<br>Maharagama<br>Mount Lavinia | Open market value method | 31 March 2016 | P B Kalugalagedara, Chartered Valuation Surveyor |

The carrying amount of revalued buildings of the Group if they were carried at cost less depreciation and impairment, would be as follows;

| As at 31st March<br>In Rs. '000s | 2016 | 2015 |
|---|---|---|
| Cost | **524,692** | 379,111 |
| Accumulated depreciation and impairment | **(159,098)** | (119,884) |
| Carrying value | **365,594** | 259,227 |

**13.3** Kaduwela Factory land and buildings and plant and machinery are pledged on a primary concurrent mortgage for loans obtained from DFCC Bank, details of which are disclosed in Note 28.2.

**13.4** Group property, plant and equipment with a cost of Rs 1,614 Mn (2015 - Rs.1,456 Mn) have been fully depreciated and continue to be in use by the Group.

**13.5** No borrowing cost was capitalised during the period (2015 Rs Nil).

**13.6** The Group has constructed buildings on lease hold Land. Future minimum lease payments under non cancellable operating leases of land are as disclosed in Note 40.

**13.7** Based on the ruling issued by The Institute of Chartered Accountants of Sri Lanka in respect of 'Reinstatement of Fully Depreciated Assets in the Statement of Financial Position', the management re-evaluated the useful life of assets which were in use but fully depreciated during the financial year. Based on the result of the study, selected assets were reinstated with total adjustment between retained earnings and accumulated depreciation.

**13.8** Other assets mainly comprise of freezers, bottle coolers and crates. The net book value of those assets are as follows.

| As at 31st March<br>In Rs. '000s | 2016<br>Freezers | <br>Coolers | <br>Crates | <br>Freezers | 2015<br>Coolers | <br>Crates |
|---|---|---|---|---|---|---|
| Cost | 603,032 | 518,709 | 570,623 | 534,285 | 475,339 | 589,772 |
| Accumulated depreciation and impairment | (327,404) | (271,575) | (492,722) | (343,235) | (247,135) | (502,957) |
| Carrying value | 275,628 | 247,134 | 77,901 | 191,050 | 228,204 | 86,815 |

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March<br>In Rs. '000s | 2016 | 2015 | 2016 | 2015 |
| **14 INTANGIBLE ASSETS** | | | | |
| Cost | | | | |
| At the beginning of the year | 225,975 | 224,739 | 18,505 | 18,052 |
| Additions / transfers | 1,668 | 1,244 | 747 | 453 |
| Acquisition of subsidiary | - | 121 | - | - |
| De-recognition | - | (77) | - | - |
| Impairment | - | (52) | - | - |
| At the end of the year | 227,643 | 225,975 | 19,252 | 18,505 |
| Accumulated amortisation | | | | |
| At the beginning of the year | (73,380) | (62,763) | (7,909) | (4,206) |
| Amortisation | (10,859) | (10,659) | (3,684) | (3,703) |
| Acquisition of subsidiary | - | (43) | - | - |
| De-recognition | - | 51 | - | - |
| Impairment | - | 34 | - | - |
| At the end of the year | (84,239) | (73,380) | (11,593) | (7,909) |
| Carrying value | | | | |
| As at 31 March | 143,404 | 152,595 | 7,659 | 10,596 |
| Carrying value of Intangible Assets | | | | |
| Goodwill* | 115,006 | 115,006 | - | - |
| Software | 28,398 | 37,589 | 7,659 | 10,596 |
| | 143,404 | 152,595 | 7,659 | 10,596 |

*The recoverable amount of cash generating unit relevant to the goodwill is more than the carrying amount at the end of the reporting period. Therefore, no impairment loss is recognised in respect of goodwill as at 31 March 2016.

## 14.1 Goodwill

Goodwill acquired through business combination is due to the purchase of Jaykay Marketing Services (Pvt) Ltd and goodwill is tested for impairment as follows;

### Cash Generating Unit (CGU)

The recoverable amount of the CGU has been determined based on the value in use (VIU) calculation.

### Key assumptions used in the VIU calculations

### Gross margins

The basis used to determine the value assigned to the budgeted gross margins, is the gross margins achieved in the year preceding the budgeted year adjusted for projected market.

### Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

### Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

### Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates.

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March<br>In Rs. '000s | 2016 | 2015 | 2016 | 2015 |
| **15 INVESTMENT PROPERTY** | | | | |
| At the beginning of the year | **94,457** | 85,482 | **94,457** | 85,482 |
| Change in fair value during the year | **16,947** | 8,975 | **16,947** | 8,975 |
| At the end of the year | **111,404** | 94,457 | **111,404** | 94,457 |

## 15.1 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 31 March 2016, that has recent experience in valuing properties of akin location and category. Investment Property was appraised in accordance with SLAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The Market value has been used as the fair value.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

| As at 31st March In Rs.'000s | Number of shares ('000s) | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **16 INVESTMENTS IN SUBSIDIARY** | | | | | |
| **16.1 Carrying value** | | | | | |
| Investments in subsidiary | | | | | |
| Unquoted ordinary shares | 202,238 | - | - | **1,022,892** | 1,022,892 |
| Jaykay Marketing Services (Pvt) Ltd | | | | | |
| Unquoted preference shares* | | | | | |
| Jaykay Marketing Services (Pvt) Ltd | 80,000 | - | - | **200,000** | 200,000 |
| | | - | - | **1,222,892** | 1,222,892 |

*On 17 July 2013 the Company invested a sum of Rs 200,000,000 in 80,000,000, 10% non - cumulative, non voting, redeemable preference shares valued at Rs. 2.50 per share. The date of redemption shall be any time after five (05) years from the date of issue to be determined by the Board of Directors of Jaykay Marketing Services (Pvt) Ltd.

| As at 31st March In Rs.'000s | Number of shares ('000s) | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **17 INVESTMENTS IN ASSOCIATE** | | | | | |
| **17.1 Carrying value** | | | | | |
| Unquoted ordinary shares | | | | | |
| Waterfront Properties (Pvt) Ltd* | 539,286 | | | | |
| At the beginning of the year | | **5,362,161** | 5,262,414 | **5,392,863** | 5,392,863 |
| Charge relating to Super Gain Tax | | **(141)** | - | **-** | - |
| Cumulative loss accruing to the Group net of dividend | | **(21,191)** | (17,911) | **-** | - |
| Changes of holding in associate | | **(75,691)** | (94) | **-** | - |
| Realised gain on lease rights forgone | | **36,307** | 6,293 | **-** | - |
| Foreign currency translation reserve | | **585,234** | 111,459 | **-** | - |
| At the end of the year | | **5,886,679** | 5,362,161 | **5,392,863** | 5,392,863 |

During the year the Company's holding came down to 29.04% from 38.97% as a result of the direct investment in the stated capital of by John Keells Holdings PLC the Parent Company.

| As at 31st March<br>In Rs. '000s | Company<br>2016 | <br>2015 |
|---|---|---|
| **17.2 No of ordinary shares** | | |
| At the beginning of the year | **539,286** | - |
| Investment | **-** | 539,286 |
| At the end of the year | **539,286** | 539,286 |

| For the year ended 31st March<br>In Rs. '000s | Group<br>2016 | <br>2015 |
|---|---|---|
| **17.3 Summarised financial information of associate** | | |
| Other operating income | **6,440** | - |
| Administrative expenses | **(7,453)** | (56,452) |
| Selling and distribution expenses | **(71,937)** | - |
| Finance income | **5,137** | 18,574 |
| Income tax expense | **(1,384)** | (5,092) |
| (Loss) for the year | **(69,197)** | (42,970) |
| Group share of net results | **(20,095)** | 16,746 |
| Adjustments for change in holding | **(1,096)** | (1,165) |
| Share of results of equity accounted investees | **(21,191)** | (17,911) |
| As at 31st March<br>In Rs. '000s | | |
| Non-current assets | **35,203,995** | 25,800,964 |
| Currents assets | **388,149** | 628,904 |
| Total assets | **35,592,144** | 26,429,868 |
| Non-current liabilities | **(13,790,943)** | (438,440) |
| Currents liabilities | **(1,165,113)** | (11,866,367) |
| Total liabilities | **(14,956,056)** | (12,304,807) |
| Net assets | **20,636,088** | 14,125,061 |
| Group share of net assets | **5,992,860** | 5,504,648 |
| Unrealised profits | **(106,181)** | (142,487) |
| Carrying value of investments in Associate under equity method | **5,886,679** | 5,362,161 |
| Contingent liabilities | **-** | - |
| Capital and other commitments | **63,560,372** | 61,573,830 |

| As at 31st March In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **18 NON-CURRENT FINANCIAL ASSETS** | | | | | |
| Loans to executives | | | | | |
| At the beginning of the year | | **129,867** | 107,545 | **93,651** | 70,703 |
| Loans granted | | **113,512** | 79,954 | **61,614** | 66,892 |
| Acquisition of subsidiary | | **-** | 888 | **-** | - |
| Transfers | | **2,417** | 1,130 | **2,417** | 1,130 |
| Recoveries | | **(72,589)** | (59,650) | **(46,730)** | (45,074) |
| At the end of the year | | **173,207** | 129,867 | **110,952** | 93,651 |
| Receivable within one year | | **42,600** | 37,077 | **30,588** | 29,134 |
| Receivable between one and five years | | **130,607** | 92,790 | **80,364** | 64,517 |
| | | **173,207** | 129,867 | **110,952** | 93,651 |
| **19 OTHER NON-CURRENT ASSETS** | | | | | |
| Prepaid staff cost | | **21,335** | 21,709 | **14,053** | 14,979 |
| Rent deposits | | **262,782** | 185,889 | **-** | - |
| Prepaid rent | | **99,292** | 79,762 | **-** | - |
| | | **383,409** | 287,360 | **14,053** | 14,979 |

Prepaid staff cost represent the prepaid portion of the loans granted to the staff

| | | | | | |
|---|---|---|---|---|---|
| **20 INVENTORIES** | | | | | |
| Raw materials | | **400,292** | 285,105 | **400,292** | 285,105 |
| Work-in-progress | | **36,593** | 17,049 | **36,593** | 17,049 |
| Finished goods and retail goods | | **2,085,229** | 1,933,430 | **230,942** | 223,713 |
| Machinery spares | | **163,094** | 115,183 | **163,094** | 115,183 |
| Other stocks | | **34,649** | 32,063 | **5,382** | 6,514 |
| | | **2,719,857** | 2,382,830 | **836,303** | 647,564 |
| **21 TRADE AND OTHER RECEIVABLES** | | | | | |
| Trade and other receivables | | **1,703,496** | 1,444,011 | **1,384,146** | 1,224,473 |
| Loans to executives | | **42,600** | 37,077 | **30,588** | 29,134 |
| | | **1,746,096** | 1,481,088 | **1,414,734** | 1,253,607 |

| As at 31st March<br>In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|

## 22 OTHER CURRENT ASSETS

| | | | | |
|---|---|---|---|---|
| Prepayments and non cash receivable | 292,546 | 253,509 | 113,429 | 113,039 |
| | 292,546 | 253,509 | 113,429 | 113,039 |

## 23 SHORT TERM INVESTMENTS

| | | | | |
|---|---|---|---|---|
| Government securities (less than 3 months)` | 1,902,399 | 808,415 | 1,142,781 | 730,256 |
| Call deposits | 162,124 | - | 162,124 | - |
| | 2,064,523 | 808,415 | 1,304,905 | 730,256 |

| As at 31st March<br>In Rs.'000s | 2016 Number of shares | 2016 Value of shares Rs. | 2015 Number of shares | 2015 Value of shares Rs. |
|---|---|---|---|---|

## 24 STATED CAPITAL

| | | | | |
|---|---|---|---|---|
| Fully paid ordinary shares | 95,040 | 918,000 | 95,040 | 918,000 |
| Fully paid preference shares | 25 | 200 | 25 | 200 |
| | | 918,200 | | 918,200 |
| Fully paid ordinary shares | | | | |
| At the beginning of the year | 95,040 | 918,000 | 95,040 | 918,000 |
| At the end of the year | 95,040 | 918,000 | 95,040 | 918,000 |
| Fully paid preference shares | | | | |
| At the beginning of the year | 25 | 200 | 25 | 200 |
| At the end of the year | 25 | 200 | 25 | 200 |

| As at 31st March<br>In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|

## 25 REVENUE RESERVES

| | | | | |
|---|---|---|---|---|
| General reserves | - | 646,000 | - | 646,000 |
| Retained earnings | 9,744,890 | 8,117,741 | 9,363,562 | 8,240,028 |
| | 9,744,890 | 8,763,741 | 9,363,562 | 8,886,028 |

| As at 31st March In Rs.'000s | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **26 OTHER COMPONENTS OF EQUITY** | | | | | |
| Revaluation reserve on | | | | | |
| Land | | **584,635** | 566,162 | **584,635** | 566,162 |
| Building | | **222,081** | 192,259 | **212,729** | 185,841 |
| | | **806,716** | 758,421 | **797,364** | 752,003 |
| Employee share option plan reserve | 27 | **179,232** | 104,515 | **106,283** | 62,415 |
| Foreign currency translation reserve | | **696,693** | 111,459 | - | - |
| | | **1,682,641** | 974,395 | **903,647** | 814,418 |

**26.1** Revaluation reserve consists of the surplus on the revaluation of land and buildings net of deferred tax effect and the surplus on the transferred land and buildings to investment property.

## 27 SHARE-BASED PAYMENT PLANS

### Employee Share Option Scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to senior executives of the Group with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

The expense recognised for employee services received during the year is shown in the following table:

| As at 31st March In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| At the beginning of the year | **104,515** | 38,897 | **62,415** | 23,362 |
| Expense arising from equity-settled share-based payment transactions | **74,717** | 65,618 | **43,868** | 39,053 |
| At the end of the year | **179,232** | 104,515 | **106,283** | 62,415 |

## Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 No. | 2016 WAEP | 2016 No. | 2016 WAEP |
| Outstanding at 1 April | **2,535,857** | 210.33 | **1,487,389** | 210.33 |
| Granted during the year | **1,406,369** | 171.25 | **853,822** | 171.25 |
| Adjusted - sub division | **563,105** | 196.08 | **334,410** | 196.08 |
| Adjusted - Warrants | **56,653** | 219.03 | **31,893** | 219.03 |
| Lapses/forfeited | **(169,900)** | 199.08 | **(128,413)** | 199.08 |
| Outstanding at 31 March | **4,392,084** | 195.51 | **2,579,101** | 195.51 |
| Vested as at March | **1,182,614** | 210.59 | **732,568** | 210.59 |

## Fair value of the share option and assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected volatility of share price, expected dividend yield and risk free interest rate.

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March<br>In Rs. '000s | 2016 | 2015 | 2016 | 2015 |
| **28 BORROWINGS** | | | | |
| **28.1 External** | | | | |
| At the beginning of the year | **185,337** | 324,935 | **185,337** | 324,935 |
| Repayments | **(101,264)** | (139,598) | **(101,264)** | (139,598) |
| At the end of the year | **84,073** | 185,337 | **84,073** | 185,337 |
| Repayable within one year | **69,073** | 101,264 | **69,073** | 101,264 |
| Repayable between one and five years | **15,000** | 84,073 | **15,000** | 84,073 |
| | **84,073** | 185,337 | **84,073** | 185,337 |

## 28.2

| Company<br>In Rs. '000s | Lending institution | Nature of facility | Interest rate and security | Repayment terms | 2016<br>Rs. | 2015<br>Rs. |
|---|---|---|---|---|---|---|
| Ceylon Cold Stores PLC. | | | | | | |
| | DFCC | Project loan Rs. 230 Mn | AWPLR -0.5%, Kaduwela land, building and machinery | 48 monthly installments commencing August 2011 | - | 19,166 |
| | DFCC | Project loan Rs. 250 Mn | AWDR +2.5%, Kaduwela land, building and machinery | 60 equal monthly installments commencing January 2012 | **39,073** | 91,171 |
| | DFCC | Project loan Rs. 150 Mn | AWDR + 4.5%, Kaduwela land, building and machinery | 60 monthly installments commencing October 2012 | **45,000** | 75,000 |
| | | | | | **84,073** | 185,337 |

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| As at 31st March | ASSETS | | LIABILITIES | | LIABILITIES | |
| In Rs.'000s | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **29 DEFERRED TAX** | | | | | | |
| At the beginning of the year | - | (37,140) | **565,756** | 439,033 | **514,002** | 439,033 |
| Charge | | 37,266 | **196,000** | 120,710 | **33,255** | 68,740 |
| Acquisition of subsidiary | | (126) | - | - | - | - |
| Deferred tax on impairment | - | - | - | (527) | - | - |
| Tax on other comprehensive income | - | - | **9,717** | 6,540 | **10,168** | 6,229 |
| At the end of the year | - | - | **771,473** | 565,756 | **557,425** | 514,002 |
| The closing deferred tax asset and liability balances relate to the following; | | | | | | |
| Accelerated depreciation for tax purposes | | | **913,246** | 853,668 | **607,409** | 596,526 |
| Employee benefit liability | | | **(109,574)** | (103,634) | **(87,153)** | (82,524) |
| Losses available for offset against future taxable income | | | **(70,509)** | (184,278) | - | - |
| Revaluation of land and buildings | | | **38,310** | - | **37,169** | - |
| | | | **771,473** | 565,756 | **557,425** | 514,002 |

| As at 31st March<br>In Rs. '000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **30 EMPLOYEE BENEFIT LIABILITIES** | | | | |
| At the beginning of the year | **376,358** | 365,385 | **298,272** | 296,667 |
| Current service cost | **24,964** | 22,911 | **16,591** | 15,889 |
| Interest cost on benefit obligation | **37,636** | 40,358 | **29,827** | 32,633 |
| | **62,600** | 63,269 | **46,418** | 48,522 |
| Transfers | **186** | 98 | **96** | 200 |
| Acquisition of subsidiary | **-** | 332 | **-** | |
| Payments | **(46,378)** | (33,240) | **(26,406)** | (24,607) |
| (Gain)/Loss arising from changes in assumptions or due to (over)/under provision in the previous year | **1,611** | (19,486) | **(4,078)** | (22,510) |
| At the end of the year | **394,377** | 376,358 | **314,302** | 298,272 |
| The expenses are recognised in the income statement in the following line items; | | | | |
| Cost of sales | **41,103** | 46,092 | **24,264** | 31,402 |
| Selling and distribution expenses | **7,388** | 6,857 | **7,388** | 6,857 |
| Administrative expenses | **14,109** | 10,320 | **14,766** | 10,263 |
| | **62,600** | 63,269 | **46,418** | 48,522 |

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd.
The principal assumptions used in determining the cost of employee benefits were:

| As at 31st March | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Discount rate | **10.5%** | 10% | **10.5%** | 10% |
| Future salary increases | | | | |
| Executives | **9%** | 8% | **9%** | 8% |
| Non Executives | **5.5% - 6%** | 6% - 8% | **5.5% - 6%** | 6.0% |
| Retirement Age; | | | | |
| Executive Staff | **55 Years** | 55 Years | **55 Years** | 55 Years |
| Clerical and Labour Staff | **55-60 Years** | 55-60 Years | **55-60 Years** | 55-60 Years |
| Sales Representatives | **55 Years** | 55 Years | **55 Years** | 55 Years |

| As at 31st March In Rs. '000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Sensitivity of assumptions used | | | | |
| If a one percentage point change in the assumed discount rate would have the following effects: | | | | |
| Effect on the employee benefit liability | | | | |
| Increase in one percentage point | **(17,409)** | (15,687) | **(14,397)** | (14,335) |
| Decrease in one percentage point | **19,121** | 17,181 | **15,814** | 15,761 |
| If a one percentage point change in the assumed salary increase rate would have the following effects: | | | | |
| Effect on the employee benefit liability | | | | |
| Increase in one percentage point | **20,631** | 18,680 | **16,977** | 16,911 |
| Decrease in one percentage point | **(19,053)** | (17,315) | **(15,665)** | (15,599) |
| Maturity analysis of the payments | | | | |
| The following payments are expected on employee benefit liabilities in future years | | | | |
| Within the next 12 months | **77,732** | 77,516 | **51,736** | 40,481 |
| Between 1 and 5 years | **196,231** | 181,383 | **163,969** | 157,046 |
| Between 5 and 10 years | **69,041** | 75,260 | **57,041** | 59,149 |
| Beyond 10 years | **51,373** | 42,199 | **41,556** | 41,596 |
| Total expected payments | **394,377** | 376,358 | **314,302** | 298,272 |

The average duration of defined benefit obligation at the end of reporting period are 4.35 - 5.30 years.

| As at 31st March In Rs. '000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **31 OTHER NON-CURRENT LIABILITIES** | | | | |
| Deposits with the Company | **131,929** | 118,440 | **131,929** | 118,440 |
| | **131,929** | 118,440 | **131,929** | 118,440 |
| At the beginning of the year | **118,440** | 143,084 | **118,440** | 143,084 |
| Net deposits received during the year | **25,899** | 3,594 | **25,899** | 3,594 |
| Reversal during the year* | **(12,410)** | (28,238) | **(12,410)** | (28,238) |
| | **131,929** | 118,440 | **131,929** | 118,440 |

* At end of 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

| As at 31st March<br>In Rs. '000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|

## 32 OTHER DEFERRED LIABILITIES

| | | | | |
|---|---|---|---|---|
| At the beginning of the year | **24,908** | 20,464 | **-** | - |
| Addition during the year | **1,427** | 4,444 | **-** | - |
| At the end of the year | **26,335** | 24,908 | **-** | - |

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 1.4 Mn (2015 - Rs. 4.4 Mn) has been charge under Cost of Sales.

| As at 31st March<br>In Rs. '000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|

## 33 TRADE AND OTHER PAYABLES

| | | | | |
|---|---|---|---|---|
| Trade payables | **3,109,820** | 2,077,383 | **414,425** | 244,528 |
| Accrued expenses | **467,244** | 367,838 | **315,606** | 210,017 |
| Sundry creditors | **461,512** | 537,252 | **246,550** | 190,457 |
| | **4,038,576** | 2,982,473 | **976,581** | 645,002 |

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| | Recoverable | | Liabilities | | Liabilities | |
| As at 31st March<br>In Rs. '000s | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |

## 34 INCOME TAX

| | | | | | | |
|---|---|---|---|---|---|---|
| At the beginning of the year | **41,382** | 110,674 | **330,001** | 34,619 | **321,194** | 34,166 |
| Charge for the year | **-** | - | **949,260** | 463,194 | **738,918** | 383,265 |
| Charge relating to Super Gain Tax | **-** | - | **118,732** | - | **108,415** | - |
| Acquisition of Subsidiary | **-** | - | **-** | 2,942 | **-** | - |
| Payments | **-** | - | **(656,246)** | (96,605) | **(628,820)** | (93,315) |
| Set-off against tax | **(41,382)** | (69,292) | **(41,382)** | (69,292) | **-** | - |
| Tax credits | **-** | - | **(13,765)** | (4,857) | **(8,586)** | (2,922) |
| At the end of the year | **-** | 41,382 | **686,600** | 330,001 | **531,121** | 321,194 |

| As at 31st March In Rs. '000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **35 OTHER CURRENT LIABILITIES** | | | | |
| Other taxes payable | **427,789** | 371,001 | **409,117** | 328,160 |
| Other payables | **218,492** | 234,493 | **-** | - |
| | **646,281** | 605,494 | **409,117** | 328,160 |

Other payable of the Group mainly comprise of loyalty points payable of Rs 121,977,827 (2015 - Rs 138,028,850) and gift vouchers sold to customers Rs 96,064,250 (2015 - 95,817,000).

| As at 31st March In Rs. '000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **36 RELATED PARTY TRANSACTIONS** | | | | |
| The Company carried out transactions in the ordinary course of business with the following related entities. | | | | |
| **36.1 Amounts due from related parties** | | | | |
| Parent | **30** | 130 | **-** | 74 |
| Subsidiaries | **-** | - | **38,186** | 29,720 |
| Companies under common control | **6,164** | 6,943 | **4,341** | 4,800 |
| | **6,194** | 7,073 | **42,527** | 34,594 |
| **36.2 Amounts due to related parties** | | | | |
| Parent | **4,462** | 12,150 | **409** | 5,340 |
| Companies under common control | **118,177** | 114,261 | **848** | 2,759 |
| | **122,639** | 126,411 | **1,257** | 8,099 |

| For the year ended 31st March In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **36.3 Amounts Due from Related Parties** | | | | |
| Ultimate Parent | | | | |
| John Keells Holdings PLC | 30 | 130 | - | 74 |
| Subsidiary | | | | |
| Jaykay Marketing Services (Pvt) Ltd. | - | - | 38,186 | 29,720 |
| Companies Under Common Control | | | | |
| Asian Hotels & Properties PLC. | 382 | - | 382 | 196 |
| Beruwala Holiday Resorts (Pvt) Ltd. | 466 | 296 | 413 | 215 |
| Ceylon Holiday Resorts (Pvt) Ltd. | 124 | 258 | 122 | 217 |
| Habarana Lodge Limited | 150 | 156 | 126 | 156 |
| Habarana Walk Inn Ltd. | 61 | 92 | 61 | 71 |
| Hikkaduwa Holiday Resorts (Pvt) Ltd. | 227 | 110 | 227 | 110 |
| John Keells Limited | - | 1 | - | - |
| John Keells Office Automation (Pvt) Ltd. | 63 | 16 | - | - |
| Kandy Walk Inn Limited | 144 | 70 | 127 | 70 |
| Keells Hotel Management Services (Pvt)Ltd | 13 | - | - | - |
| Keells Food Products PLC. | 2,482 | 3,734 | 2,482 | 3,294 |
| Mack Air (Pvt) Limited | 42 | - | - | - |
| Mackinnons Travels (Pvt) Ltd | 316 | - | - | - |
| Sancity Hotels and Properties Limited | 25 | 40 | 25 | 40 |
| Trans Asia Hotel PLC | 148 | 229 | 148 | 229 |
| Trinco Holiday Resorts (Pvt) Ltd | 146 | 105 | 141 | 102 |
| Union Assurance PLC. | 1,287 | 1,736 | - | - |
| Yala Village (Pvt) Ltd. | 88 | 100 | 87 | 100 |
| | 6,194 | 7,073 | 42,527 | 34,594 |

| For the year ended 31st March In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **36.4 Amounts Due to Related Parties** | | | | |
| Ultimate Parent | | | | |
| John Keells Holdings PLC | **4,462** | 12,150 | **409** | 5,340 |
| Companies Under Common Control | | | | |
| Asian Hotels & Properties PLC. | **1,182** | 843 | **-** | - |
| DHL Keells (Pvt) Ltd. | **278** | 333 | **278** | 376 |
| Infomate (Pvt) Ltd. | **1,785** | 1,540 | **-** | 88 |
| John Keells Logistics (Pvt) Ltd. | **24,540** | 19,683 | **-** | - |
| John Keells Office Automation (Pvt) Ltd. | **1,371** | - | **170** | 45 |
| John Keells Properties (Pvt) Ltd | **3,504** | 661 | **-** | - |
| John Keells PLC. | **37** | 1 | 1 | 1 |
| Keells Consultants (Pvt) Ltd. | **7** | 230 | **7** | 56 |
| Keells Food Products PLC. | **83,869** | 83,833 | **-** | - |
| Mackinnons Travels (Pvt) Ltd. | **10** | 647 | **10** | 175 |
| NDO Lanka (Pvt) Ltd. | **-** | 908 | **-** | 908 |
| Union Assurance PLC. | **157** | 47 | **1** | 44 |
| Walkers Tours Ltd. | **15** | 10 | **15** | 10 |
| Whittall Boustead (Pvt) Ltd. | **1,422** | 5,525 | **366** | 1,056 |
| | **122,639** | 126,411 | **1,257** | 8,099 |

| For the year ended 31st March In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **36.5 Transactions with related parties** | | | | |
| Ultimate Parent | | | | |
| Sale of Goods | **757** | 754 | - | - |
| (Receiving) / Rendering of services | **(112,000)** | (87,559) | **(45,661)** | (44,302) |
| Subsidiary | | | | |
| (Purchases) / Sale of goods | - | - | **267,258** | 316,856 |
| (Receiving) / Rendering of services | - | - | **(16,509)** | (13,373) |
| Companies under common control | | | | |
| (Purchases) / Sale of goods | **(600,623)** | (537,202) | **18,673** | 28,086 |
| (Receiving) / Rendering of services | **(387,551)** | (314,236) | **2,270** | (4,596) |
| Transactions with related parties - Associates of the ultimate parent | | | | |
| (Purchases) / Sale of goods | **385** | 431 | **385** | 431 |
| Post employment benefit plan | | | | |
| Contributions to the provident fund | **(98,481)** | (88,097) | **(89,616)** | (83,616) |
| **36.6 Transactions with related parties - Associates of the ultimate parent** | | | | |
| Nations Trust Bank PLC. | | | | |
| Interest received / (Interest paid) | 1,471 | 876 | **525** | 587 |
| Interest bearing deposits | 18,422 | 21,217 | **17,607** | 21,217 |

## 36.7 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

## 36.8 Compensation of key management personnel

Key management personnel include members of the Board of Directors of Ceylon Cold Stores PLC and its Subsidiary and the Parent Company John Keells Holdings PLC.

| For the year ended 31st March In Rs.'000s | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Short-term employee benefits | **72,564** | 74,919 | **38,981** | 39,962 |
| Share based payment | **28,152** | 28,762 | **14,076** | 14,381 |
| | **100,716** | 103,681 | **53,057** | 54,343 |

## 37 RECLASSIFICATION OF COMPARATIVES

| In Rs.'000s | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | As reported previously | Current presentation | As reported previously | Current presentation |
| Statement of financial position | | | | | |
| Short term investments | 37.1 | 730,256 | 808,415 | - | - |
| Cash in hand and at bank | 37.1 | 244,351 | 166,192 | - | - |
| Trade and other payables | 37.2 | 3,120,502 | 2,982,473 | - | - |
| Other current liabilities | 37.2 | 467,465 | 605,494 | - | - |

**37.1** Investments of Rs. 78,159,258 of the Group previously classified under cash in hand and at bank were reclassified as short term investments according to the requirements of LKAS 32 - Financial Instruments Presentation.

**37.2** Nexus loyalty points payable of Rs. 138,028,850 which was previously classified under trade and other payables were reclassified as other current liabilities according to the requirements of LKAS 32 - Financial Instruments Presentation.

## 38 CONTINGENT LIABILITIES

The contingent liability of the Company as at 31 March 2016, relates to the following;

Income tax assessments relating to years of assessments 2011/12 and 2012/2013

Assessments were raised by the IRD in November 2014 and November 2015 assessing the income from write back of deposits on returnable containers and crates amounting to Rs. 202 mn and Rs. 43 mn respectively. The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure. Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2016 is estimated at Rs. 62 mn. (2015 – Rs. 54 mn).

Other than the above, there were no other contingent liabilities for the Group at the end of the reporting period.

## 39 CAPITAL COMMITMENTS

Capital Commitments approved and contracted but not provided for as at the reporting date.

| As at 31st March In Rs.'000s | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Capital commitments | **800,061** | 279,865 | **82,580** | 67,665 |

## 40 LEASE COMMITMENTS

| | | | | |
|---|---|---|---|---|
| Lease rentals due on non-cancellable operating leases; | | | | |
| Within one year | **275,326** | 225,384 | **36,402** | 34,669 |
| Between one and five years | **179,731** | 156,899 | **179,731** | 156,899 |
| After five years | - | 59,234 | - | 59,234 |
| | **455,057** | 441,514 | **216,133** | 250,802 |

Lease rentals due on non-cancellable operating leases consist of lease arrangement on the PET Bottling Plant with CISCO Speciality Packaging (Pvt) Ltd of the Company and lease arrangement on buildings premises in which most of the retail outlets are operated by the Subsidiary.

## 41 SUPER GAIN TAX

As per the provisions of Part III of the Finance Act,No. 10 of 2015, the Group and the Company were liable for Super Gain Tax of LKR.118,873,212 and LKR.108,414,594 respectively . According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013.The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

## 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.

### Dividends

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 the Companies Act No 7 of 2007, and has obtained a certificate from the Auditors, prior to approving a final dividend of Rs. 10.00 per share which was paid on 20 May 2016.

# Your Share in Detail

## Ordinary Shareholding

Numbers of Ordinary Shares 95,040,000

Distribution of Shareholders

| | 31st March 2016 No. of Shareholders | No.of Shares Held | % | 31st March 2015 No. of Shareholders | No.of Shares Held | % |
|---|---|---|---|---|---|---|
| Less than or equal to 1,000 | 1,163 | 301,431 | 0.32 | 1,148 | 318,911 | 0.34 |
| 1,001 to 10,000 | 460 | 1,759,022 | 1.85 | 482 | 1,870,336 | 1.97 |
| 10,001 to 100,000 | 227 | 6,601,061 | 6.95 | 247 | 7,136,114 | 7.51 |
| 100,001 to 1,000,000 | 20 | 4,396,215 | 4.63 | 21 | 4,638,307 | 4.88 |
| Over 1,000,000 | 4 | 81,982,271 | 86.26 | 4 | 81,076,332 | 85.31 |
| | 1,874 | 95,040,000 | 100.00 | 1,902 | 95,040,000 | 100.00 |

| Categories of Shareholders | No. of Shareholders | Shares Held | % | No. of Shareholders | Shares Held | % |
|---|---|---|---|---|---|---|
| John Keells Holdings and Subsidiaries | 3 | 77,321,204 | 81.36 | 3 | 77,321,204 | 81.36 |
| Others | 1,871 | 17,718,796 | 18.64 | 1,899 | 17,718,796 | 18.64 |
| Total | 1,874 | 95,040,000 | 100.00 | 1,902 | 95,040,000 | 100.00 |
| | | | | | | |
| Sri-Lankan Residents | 1,742 | 86,233,055 | 90.73 | 1,773 | 87,472,883 | 92.04 |
| Non-Residents | 132 | 8,806,945 | 9.27 | 129 | 7,567,117 | 7.96 |
| Total | 1,874 | 95,040,000 | 100.00 | 1,902 | 95,040,000 | 100.00 |
| | | | | | | |
| John Keells Holdings and Subsidiaries | 3 | 77,321,204 | 81.36 | 3 | 77,321,204 | 81.36 |
| Director's and spouses | 7 | 135,358 | 0.14 | 7 | 135,052 | 0.14 |
| Shareholders holding more than 10% | - | - | - | - | - | |
| Public | 1,864 | 17,583,438 | 18.50 | 1,892 | 17,583,744 | 18.50 |
| | 1,874 | 95,040,000 | 100.00 | 1,902 | 95,040,000 | 100.00 |

* Percentage of shares held by the public as at 31st March 2016 is 18.50%

## Top 20 Shareholders

| As at 31st March | 2016 No. of Shares Held | % of Issued Capital | 2015 No. of Shares Held | % 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 |
| Standard Chartered Bank Mauritius S/A Chambers Street Global Fund , Lp | **2,661,358** | 2.80 | - | - |
| GF Capital Global Limited | **2,046,393** | 2.15 | 2,025,241 | 2.13 |
| A N Sethna | **789,696** | 0.83 | 789,696 | 0.83 |
| HSBC INTL Nom Ltd-JPMCB-T.Rowe Price Institutional Frontier Markets Equity Fund | **405,922** | 0.43 | 193,498 | 0.20 |
| HSBC International Nominees Ltd - Deustche Bank AG Singapore | **330,000** | 0.35 | 350,000 | 0.37 |
| Employees Provident Fund | **308,884** | 0.33 | 308,884 | 0.33 |
| People's Leasing & Finance PLC/C.D.Kohombanwickramage | **303,806** | 0.32 | 258,000 | 0.27 |
| Life Insurance Corporation of India | **272,912** | 0.29 | 272,912 | 0.29 |
| Sisira Investors Limited | **259,132** | 0.27 | 259,132 | 0.27 |
| M.Radhakrishnan | **169,256** | 0.18 | 169,256 | 0.18 |
| J.R.Printers (Decd) | **167,936** | 0.18 | 167,936 | 0.18 |
| Seylan Bank PLC/Channa Nalin Rajahmoney | **155,241** | 0.16 | - | - |
| Merrill J.Fernando & Sons (Pvt) Ltd | **150,848** | 0.16 | 150,848 | 0.16 |
| M V Theagarajah | **133,548** | 0.14 | 133,548 | 0.14 |
| Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund | **128,682** | 0.14 | 128,682 | 0.14 |
| Mrs H.M. Mount (Deceased) | **125,360** | 0.13 | 125,360 | 0.13 |
| M.A.Lukmanjee | **122,999** | 0.13 | 128,600 | 0.14 |
| Mrs. E.C. Rodrigo | **121,872** | 0.13 | - | - |

| As at 31st March | 2016 | | 2015 | |
|---|---|---|---|---|
| SHARE PRICES - (Rs.) | | | | |
| Beginning of the year | **298.20** | | 140.70 | |
| Highest for year | **479.00** | (28.01.2016) | 300.00 | (24.02.2015) |
| Lowest for year | **275.00** | (10.04.2015) | 141.00 | (01.04.2014) |
| As at 31st March | **430.00** | | 298.20 | |

# Decade at a Glance

| Group<br>Year ended 31st March | 2016<br>Rs`000 | 2015<br>Rs`000 | 2014<br>Rs`000 | 2013<br>Rs`000 | 2012<br>Rs`000 | 2011<br>Rs`000 | 2010<br>Rs`000 | 2009<br>Rs`000 | 2008<br>Rs`000 | 2007<br>Rs`000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Trading results | | | | | | | | | | |
| Gross revenue | **37,632,551** | 30,968,590 | 26,330,083 | 23,788,855 | 21,165,811 | 17,658,598 | 15,322,957 | 13,631,168 | 10,960,073 | 9,277,671 |
| Profit from operating activities | **3,896,053** | 2,160,444 | 1,541,245 | 1,003,999 | 1,511,692 | 572,776 | 541,864 | 460,951 | 450,948 | 555,230 |
| Profit before taxation | **4,020,133** | 2,146,665 | 1,545,188 | 2,200,654 | 2,541,860 | 482,982 | 420,151 | 268,345 | 269,358 | 469,474 |
| Taxation | **(1,145,260)** | (621,170) | (327,471) | (345,051) | (306,407) | (283,446) | (191,277) | (128,731) | (93,432) | (192,490) |
| Profit after taxation | **2,874,873** | 1,525,495 | 1,217,717 | 1,855,603 | 2,235,453 | 199,536 | 228,874 | 139,614 | 175,926 | 276,984 |
| As at 31 March | | | | | | | | | | |
| Assets, equity and liabilities | | | | | | | | | | |
| Fixed assets | **6,122,560** | 5,365,259 | 5,446,846 | 5,180,158 | 4,071,521 | 3,689,511 | 3,848,218 | 4,070,987 | 4,073,966 | 2,800,353 |
| Investment property | **111,404** | 94,457 | 85,482 | 5,040,924 | 3,765,855 | 2,582,195 | - | - | - | - |
| Investment | **5,886,679** | 5,362,161 | 5,262,414 | - | - | - | - | 3,100 | 3,100 | 3,100 |
| Non-current assets | **657,420** | 532,745 | 560,011 | 555,780 | 286,709 | 287,134 | 115,006 | 115,006 | 140,196 | 138,525 |
| Total non-current assets | **12,778,063** | 11,354,622 | 11,354,753 | 10,776,862 | 8,124,085 | 6,558,840 | 3,963,224 | 4,189,093 | 4,217,262 | 2,941,978 |
| Net current assets/(liabilities) | **906,782** | 471,249 | (201,234) | (419,723) | 98,983 | (1,240,142) | (653,948) | (719,546) | (682,367) | (350,684) |
| | **13,684,845** | 11,825,871 | 11,153,519 | 10,357,139 | 8,223,068 | 5,318,698 | 3,309,276 | 3,469,547 | 3,534,895 | 2,591,294 |
| Long term loans | **15,000** | 84,073 | 185,337 | 324,935 | 283,443 | 316,769 | 200,817 | 380,300 | 421,830 | 373,890 |
| Deferred liabilities | **1,324,114** | 1,085,462 | 967,966 | 856,717 | 655,703 | 553,288 | 471,118 | 594,366 | 736,184 | 627,156 |
| Net assets | **12,345,731** | 10,656,336 | 10,000,216 | 9,175,487 | 7,283,922 | 4,448,641 | 2,637,341 | 2,494,881 | 2,376,881 | 1,590,248 |
| Represented by | | | | | | | | | | |
| Stated capital | **918,200** | 918,200 | 918,200 | 918,200 | 918,200 | 270,200 | 270,200 | 270,200 | 270,200 | 270,200 |
| Capital reserves | **1,682,641** | 974,395 | 795,699 | 3,252,326 | 2,900,278 | 2,853,957 | 1,155,779 | 1,155,779 | 1,155,779 | 475,938 |
| General reserve | **-** | 646,000 | 646,000 | 646,000 | 646,000 | 646,000 | 646,000 | 646,000 | 646,000 | 646,000 |
| Revenue reserve | **9,744,890** | 8,117,741 | 7,640,317 | 4,358,961 | 2,819,444 | 678,484 | 565,362 | 422,902 | 304,902 | 198,110 |
| Shareholder's funds | **12,345,731** | 10,656,336 | 10,000,216 | 9,175,487 | 7,283,922 | 4,448,641 | 2,637,341 | 2,494,881 | 2,376,881 | 1,590,248 |

# Key Figures and Ratios

## Ratios and Other Information - Group

| Year ended 31st March | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Dividend per Share (Rs.) - Paid | **18.00** | 11.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 1.00 | 3.20 | 2.40 |
| Dividend Payout (%) | **59.51** | 68.53 | 31.22 | 20.49 | 16.91 | 43.31 | 37.76 | 15.48 | 39.30 | 18.72 |
| Net Asset per Share (Rs.) | **129.90** | 112.12 | 105.22 | 96.54 | 76.64 | 46.81 | 27.75 | 26.25 | 25.01 | 16.73 |
| Market Value per Share (Rs.) | **430.00** | 298.20 | 140.70 | 135.90 | 90.00 | 750.60 | 172.00 | 69.50 | 130.00 | 152.00 |
| Debt / Equity Ratio (%) | **5.41** | 6.65 | 14.50 | 16.68 | 18.11 | 46.37 | 36.98 | 59.62 | 68.78 | 81.77 |
| Interest Cover (No.of Times) | **333.77** | 35.59 | 11.06 | 9.93 | 16.53 | 6.38 | 4.45 | 2.39 | 2.48 | 6.47 |
| Earnings per Share (Rs.) | **30.25** | 16.05 | 12.81 | 19.52 | 23.66 | 2.11 | 2.42 | 1.48 | 1.86 | 2.93 |
| Price Earnings Ratio (No.of Times) | **14.22** | 18.58 | 10.98 | 6.96 | 3.80 | 81.25 | 16.23 | 10.76 | 15.97 | 11.86 |
| Current Ratio (No.of Times) | **1.15** | 1.10 | 0.95 | 0.91 | 1.03 | 0.71 | 0.79 | 0.76 | 0.74 | 0.83 |
| Return on Total Assets (%) | **15.83** | 9.51 | 8.00 | 13.86 | 20.70 | 2.47 | 3.56 | 2.22 | 3.27 | 7.07 |
| Return on Equity (%) | **24.53** | 14.62 | 9.69 | 22.55 | 38.11 | 4.49 | 8.68 | 5.73 | 8.87 | 17.42 |
| Dividend Yield (%) | **4.19** | 3.69 | 2.84 | 2.94 | 4.44 | 2.33 | 10.17 | 6.29 | 10.76 | 6.90 |
| Earnings Yield (%) | **7.03** | 5.38 | 9.11 | 14.37 | 26.29 | 1.23 | 6.16 | 9.29 | 6.26 | 8.43 |

# Group Real Estate Portfolio

| Owning Company and Location | No of Buildings | Buildings in (Sq. Ft) | Freehold Land in Acres | Leasehold Land in Acres |
|---|---|---|---|---|
| Ceylon Cold Stores PLC | | | | |
| Kaduwela | 15 | 312,042 | 27.35 | - |
| Trincomalee | 3 | 23,840 | 1.14 | - |
| Jaykay Marketing Services (Pvt) Ltd | | | | |
| 228, Havelock Road, Colombo 05 | 1 | 9,600 | - | 0.50 |
| 53, Hospital Road ,Kalubowila, Dehiwala | 1 | 18,872 | - | 0.74 |
| 226, High Level Road, Maharagama. | 1 | 12,620 | - | 0.97 |
| 388, Galle Road, Mount Lavinia | 1 | 6,500 | - | 0.24 |

# 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 end of the reporting period 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 Group profits .

## Dividend Yield

Dividend per shares as a percentage of share price at the end of the period.

## Earnings Per Share (EPS) - Basic

Consolidated profit after tax and preference dividends 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 at the end of the period.

## Effective Rate of Taxation

Income tax including deferred tax over profit before tax.

## Enterprise Value

Market capitalisation+ debt- cash

## Interest Cover

Profit on operating activities over finance expenses. Gains from lease rights forgone is excluded from profit on operating activities

## Market Capitalisation

Number of shares in issue at the end the of period multiplied by the share price at end of the 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 and 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 shareholders' funds

## Return on Capital Employed

Earnings before interest and tax (gains from lease rights forgone is excluded) as a % of average of shareholders' 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 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

## 119th

The Annual General Meeting of Ceylon Cold Stores PLC will be held at the John Keells Holdings PLC Auditorium at 186 Vauxhall Street, Colombo 2 on Thursday, 16th June 2016 at 10.00 a.m.

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 Financial Year ended 31st March 2016 with the Report of the Auditors thereon.
- To re-elect as Director, Mr. A D Gunewardene who retires by rotation in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. A D Gunewardene is contained in the Board of Directors section of the Annual Report.
- To re-elect as Director Mr A R Rasiah who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:

  "THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr A R Rasiah, who is 70 years and that he be re-elected a Director of the Company."
- To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2016/17 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
25th May 2016

**Note**

- A member 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 member wishing to vote by proxy at the meeting may use the proxy form enclosed
- In order to be valid, the completed proxy form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
- If a poll is demanded, a vote can be taken on a show of hands or by poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual shareholder and his/her proxy holder are both present at the meeting, only the shareholder's vote is counted. If proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner of vote will be used.

# 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 PC of Colombo | or failing him |
| Mr. Albert Rasakantha Rasiah of Colombo | or failing him |
| Mr. Muhammed Hamza of Colombo | |

as my/our proxy to vote for me/us on my/our behalf at the 119th Annual General Meeting of the Company to be held at 10.00 a.m on the 16th June 2016 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

| | FOR | AGAINST |
|---|---|---|
| To re-elect as Director, Mr. A D Gunewardene, who retires in terms of Article 84 of the Articles of Association of the Company. | | |
| To re–elect as Director Mr. A R Rasiah who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007 | | |
| To re-appoint Auditors and to authorise the Directors to determine their remuneration. | | |

Signed this ……day of …… Two Thousand and Sixteen (2016)

……..
Signature/s of Shareholder/s

**Note:**
INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY ARE NOTED ON THE REVERSE.

## INSTRUCTIONS AS TO COMPLETION

1. Please perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed form of proxy should be deposited at the Registered Office of the Company at no. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, not later than 48 hours before the time appointed for the holding of the Meeting.

3. If the form of proxy is signed by an Attorney, the relevant power of Attorney should accompany the completed form of proxy for registration, if such power of Attorney has not already been registered with the Company.

4. If the appointer is a Company or corporation, the form of proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.

5. If this form of proxy is returned without any indication of how the person appointed as Proxy shall vote, then the proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : .....

Address : .....

.....

Jointly with : .....

Share Folio no. : .....

| GRI-G4 |
| --- |
| G4-03 |
| G4-05 |
| G4-07 |

# Corporate Information

## Name of the Company
Ceylon Cold Stores PLC

## Legal Form
Public Limited Liability Company
Established in 1866 as Colombo Ice Company Limited
Name changed to Ceylon Cold Stores Limited in 1941
Quoted in the Colombo Stock Exchange in January 1970
Registered under Companies Act No.7 of 2007 on new
Company No. PQ4

## Registered Office of the Company
No. 117, Sir Chittampalam A Gardiner Mawatha,
Colombo 02. Sri Lanka.
Tel : +94 11 2318798
Fax : +94 11 2447422
E-mail : info.ccs@keells.com
Web : www.elephanthouse.lk

## Kaduwela Factory
Samadaragahawatte, Ranala
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
Mr. M. Hamza (appointed on 15th May 2015)
Prof. U. P. Liyanage (deceased on 10th August 2015)

## Audit Committee
Mr. A. R. Rasiah (Chairman)
Mr. P. S. Jayawardena, PC
Mr. M. Hamza (appointed on 15th May 2015)
Prof. U. P. Liyanage (deceased on 10th August 2015)

## Secretaries and Registrars
Keells Consultants (Private) Limited
No. 117, Sir Chittampalam A Gardiner Mawatha,
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 AG.
Hongkong & Shanghai BankingCorporation Ltd.
Nations Trust Bank PLC
Standard Chartered Bank
DFCC Bank
Hattion National Bank PLC

## Subsidiary Company
Jaykay Marketing Services (Private) Ltd.

## Associate Company
Waterfront Properties (Private) Ltd

Designed & produced by
emagewise
Digital Plates & Printing by Printel (Pvt) Ltd

www.elephanthouse.lk