Connecting Opportunities

View this Annual Report online at
https://www.elephanthouse.lk/downloads.html

Connecting Opportunities

For 153 years, we at Ceylon Cold Stores PLC have been serving generations of loyal customers with an excellent range of beverages and frozen confectionery and with 28 years of retail experiences that have set new benchmarks for modern trade in Sri Lanka. Today, as a formidable force in our business sectors, we are equipped with extensive market reach and a diverse product portfolio that keeps evolving for the better.

Despite the challenging economic and market conditions during year under review, our committed team has been able to record positive growth while creating lasting shareholder value. We are looking in to the future with renewed vigour, ready to connect our unique market strengths to the myriad opportunities that come our way.

History

For 153 years, we have continuously evolved our products and processes and empowered our team to stay at the forefront of our business sectors.

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.

GRI 102-16

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

About this Report

This year, we present our 5th Integrated Annual Report aimed at providing a balanced, concise and relevant assessment of our value creation story. As our primary publication to shareholders, the Report provides relevant information on external factors which shaped performance, our strategy, governance and risk management practices and performance against financial and non-financial objectives. The Report has been prepared in accordance with the Integrated Reporting Framework published by the International Integrated Reporting Council and is a reflection of the Group's integrated thinking in driving strategy and capital allocation decisions in a manner that balances competing stakeholder interests.

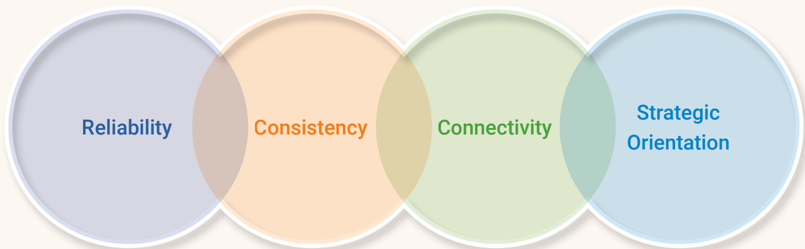
Reporting Scope and Boundary

The Report covers the operations of Ceylon Cold Stores PLC (herein referred to as "CCS" or the "Company") and its Subsidiaries Jaykay Marketing Services (Pvt) Ltd (JMSL), The Colombo Ice Company (Pvt) Ltd (CICL) {collectively referred to as "Group"} for the period from 1st April 2018 to 31st March 2019. The Group adopts an annual reporting cycle and this Report builds on the Group's previous annual report for the year ending 31st of March 2018. The financial and non-financial information included in the narrative report represents both CCS and its subsidiaries, unless otherwise mentioned. There were no material restatements to non-financial information published in previous reports.

Reporting standards and principles

- Integrated Reporting Framework of the IIRC
- Sri Lanka Financial Reporting Standards
- Sri Lanka Accounting and Auditing Standards
- GRI Standards on Sustainability Reporting: In Accordance 'Core'
- GRI G4-Food Processing Sector Disclosures
- Sustainable Development Goals Reporting

Reporting Concepts



Compliance

- Companies Act No. 07 of 2007
- Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the SEC and CA Sri Lanka
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987

External Assurance

Financial Statements: Messrs. Ernst & Young Chartered Accountants

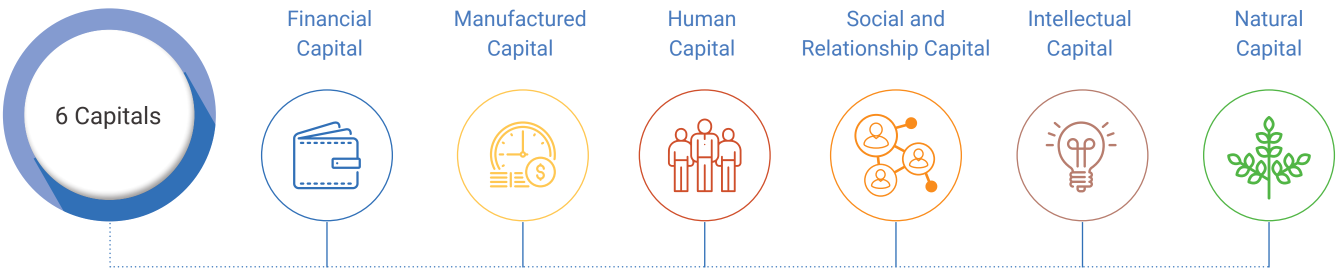
Sustainability Reporting: We have not sought external assurance on sustainability reporting.

Feedback

We understand that Integrated Reporting is a journey, and welcome your comments, suggestions and queries regarding this Report. To provide feedback please contact;

Chief Financial Officer
Ceylon Cold Stores PLC
148, Vauxhall Street, Colombo 2.
nelindra.ccs@keells.com

Navigating our Report



How to Read this Report

Throughout this Report, we aim to address key stakeholder concerns regarding our strategy and performance during the year

Area of interest	The information we share	Where to look
Trends in the operating environment that directly impacted our value creation	▪ Market risks and opportunities ▪ How we responded to these dynamics	33 33
How we progressed on our strategic priorities	▪ Strategy in Action	34-36
How our business lines performed during the year	▪ Operational Reviews	40-46
How we utilised and added value to our six capitals during the year	▪ Performance-Capital Management	47-71
How the Board is governed	▪ Board dynamics and composition ▪ Governance structure and framework ▪ How the Board conducts itself ▪ Key areas of Board focus in 2019	74 - 101

Contents

Performance Highlights

	Metric		2018/19	2017/18	YoY Change
Financial Capital	**STRATEGIC PRIORITY: SUSTAINABLE GROWTH**				
	Revenue	Rs. million	59,060	50,942	16%
	Operating Profit	Rs. million	2,606	3,640	-28%
	Profit before Tax	Rs. million	2,043	3,750	-46%
	Profit after Tax	Rs. million	1,310	2,567	-49%
	EBITDA	Rs. million	4,042	4,707	-14%
	Total Assets	Rs. million	37,568	29,548	27%
	Total Liabilities	Rs. million	22,168	15,865	40%
	Shareholders' Funds	Rs. million	15,400	13,683	13%
	PERFORMANCE AND BALANCE SHEET RATIOS				
	Return on Assets	%	3.90	9.87	(5.97)
	Return on Capital Employed	%	11.41	21.71	(10.29)
	Debt/Equity	%	71.61	40.50	31.11
	Interest Cover	No. of Times	4.03	113.50	(109.47)
	WORKING CAPITAL RATIOS				
	Current Ratio	No. of Times	0.55	0.82	(0.27)
	Quick Ratio	No. of Times	0.21	0.34	(0.13)
	SHAREHOLDER INFORMATION				
	Earnings Per share	Rs.	13.79	27.01	(13.23)
	Dividends Per share	Rs.	15.00	15.00	-
	Net Asset Value Per share	Rs.	162.04	143.97	18.07
	Closing Share Price	Rs.	575.00	950.00	(375.00)
	Price Earnings Ratio	No. of Times	41.70	35.17	6.53
	Dividend Payout	%	108.77	55.53	53.24
	Dividend Yield	%	2.61	1.58	1.03
	Market Capitalisation	Rs. million	54,648	90,288	-39%
	Enterprise Value	Rs. million	64,962	95,278	-32%

	Metric		2018/19	2017/18	YoY Change
Manufactured Capital	**STRATEGIC OBJECTIVE: SUSTAINABLE GROWTH**				
	Property, plant and equipment	Rs. million	18,121	12,869	41%
	Capital expenditure	Rs. million	6,584	5,634	17%
	Retail outlets (Keells)*	No.	96	80	*16
Human Capital	**STRATEGIC OBJECTIVE: EMPOWERED TEAM**				
	Total employees	No.	5,849	5,088	761
	Payments to employees	Rs. million	5,306	4,322	984
	Employee retention rate	%	11	10	1
	Female representation	%	42	38	4
	Investment in training	Rs. million	47	71	(24)
	Total training hours	Hours	347,617	324,773	22,844
	Average training hours/employee	Hours	59.43	63.83	(4.40)
	Workplace injuries	No.	77	79	(2)
	Graduates from JMSL training academy	No.	301	250	51
Social and Relationship Capital	**STRATEGIC OBJECTIVE: FULFILLING THE CUSTOMER PROMISE**				
	New Products launched	No.	16	14	2
	New outlets opened (Keells)	No.	*18	23	(5)
	Non-compliance to product responsibility regulations	No.	Nil	Nil	-
	STRATEGIC OBJECTIVE: MANAGING OUR VALUE CHAIN				
	Payments to suppliers	Rs. million	56,118	41,979	14,139
	Number of farmer training programmes conducted	No.	53	49	4
	Investment in CSR	Rs. million	26	32	(6)
	Volunteer hours	No.	994	819	175
Natural Capital	**STRATEGIC OBJECTIVE: SUSTAINABLE AND SOCIALLY RESPONSIBLE ORGANISATION**				
	Energy consumption	GJ	237,780	201,940	18%
	Water consumption	m3	629,519	599,111	5%
	Solid waste	MT	3,812	4,154	-8%
	Effluents	m3	190,083	200,005	-5%
	Carbon footprint	tCO2e	40,358	34,310	18%
	Energy intensity - Manufacturing	GJ/1,000 Ltrs	0.952	0.714	33%
	Emission intensity - Manufacturing	tCO2e/1,000 Ltrs	0.152	0.116	31%
	Water intensity - Manufacturing	Ltrs/1,000 Ltrs	5,130	4,500	14%
	Energy intensity - Retail	GJ/Sqft	0.171	0.171	0%
	Emission intensity - Retail	tCO2e/Sqft	29.89	29.85	0%
	Water intensity - Retail	Ltrs/Sqft	0.21	0.20	5%
Intellectual Capital	Investment in R & D	Rs. million	41	47	(6)
	New Products launched	No.	16	14	2

** 18 outlets were opened and 2 outlets were closed during the year*

About the Company

CCS is a leader in Sri Lanka's carbonated soft drinks and frozen confectionery markets, offering an exciting array of products to discerning customers, through its heritage brand 'Elephant House' and several emerging brands. Deep industry insights gained over 15 decades of market strength have sharpened the Company's understanding of evolving customer preferences, enabling it to consistently deliver great products through convenient and accessible channels. CCS's retail arm, Jaykay Marketing Services (Pvt) Ltd (JMSL) operates the "Keells" Supermarkets chain, which has rapidly captured market share through an expanding network of 96 outlets which have redefined industry standards in customer convenience and service quality.

The Group employs 5,849 personnel in its operations. CCS is part of John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate and one of the most valuable entities in the country in terms of market capitalisation.

Innovation-led Strategy

A product strategy centred on innovation has enabled the Group to retain its competitive edge and grow its market share in both the Manufacturing (Beverages and Frozen confectionery) and Retail segments. In Retail, we have redefined Sri Lanka's modern trade customer experience through an innovative service offering.

22

Carbonated Soft Drinks (CSD) variants

45

Ice cream flavours

05

Fruit drinks variants

03

Flavoured milk

96

Retail Outlets

01

Water

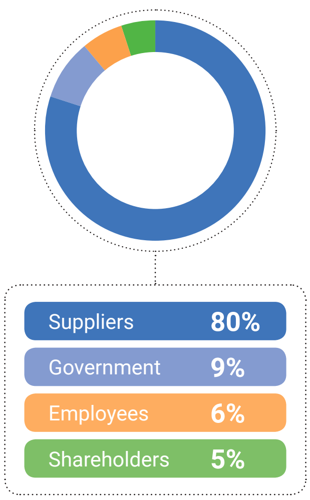
Economic Impact

Rs. 5,306 million
Value to direct employees

Rs. 56,118 million
Payments to suppliers

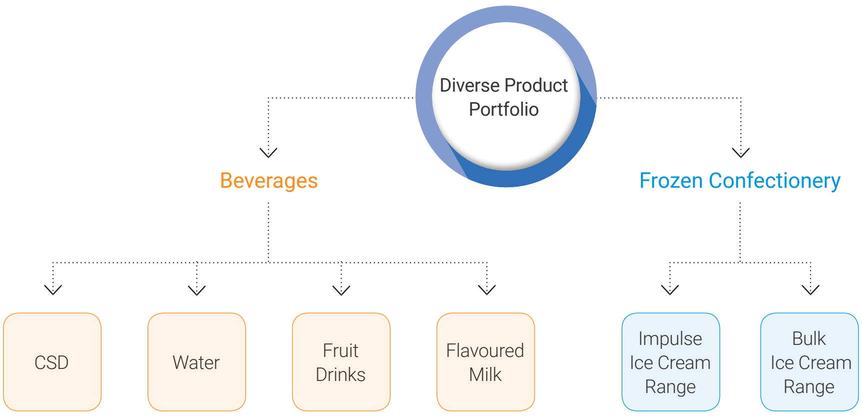
Rs. 6,594 million
Tax contribution

Rs. 2,073 million
Value to capital providers



A Diverse Product Portfolio

We have continued to invest in developing our product portfolio to suit evolving customer requirements; this includes expanding our beverage range beyond Carbonated Soft Drinks (CSD) and continuously widening both our bulk and impulse frozen confectionery ranges under the Elephant House and IMORICH brands.



Strong Financial Profile

Rs. **37,568** million
Total assets

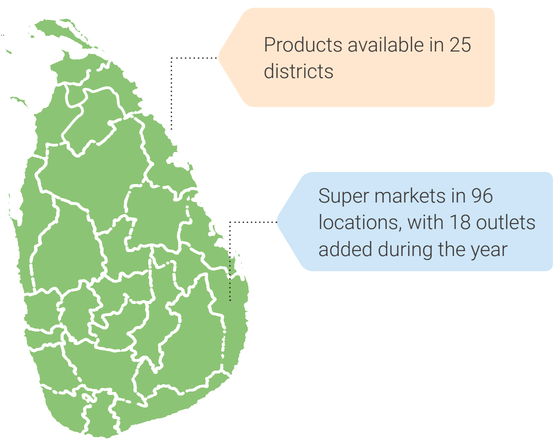
Rs. **15,400** million
Shareholders' funds

0.72 times
Debt/equity

0.67 times
Net debt/Equity

Extensive Distribution Channels

Our products are distributed across the island through a multi-channel network of distributors, general trade outlets, modern trade outlets as well as hotels and restaurants.



Best in Class Manufacturing and Retail Capabilities

CCS's new state-of-the-art impulse-range ice cream factory is the largest ice cream manufacturing facility in Sri Lanka and one of the most modern and sophisticated in Asia. The facility features advanced technology, sophisticated systems and environmentally-friendly manufacturing methods.

In recent years we have also directed concerted efforts towards driving operational efficiencies across our manufacturing operations.

In Retail, we have focused on enhancing our overall customer experience through a holistic brand transformation which comprised upgrading store layouts, introducing Prepared Food options, and increased emphasis on freshness and value for money.

Sustainable Approach

Rs. **3,002** million
Purchases from local farmers

Rs. **26** million
Investment in community engagement

41
Solar powered retail outlets


Elephant House
EGB
400ml


Elephant House™
Taste
THE REAL
ROOTS OF
SRI LANKA
Elephant House Ginger Beer
Soft drink made to
an authentic recipe with
100% natural ginger extract

History at a Glance - Ceylon Cold Stores PLC

1866

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

1883

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

1894

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

1921

Introduction of crown corks to the Aerated Water business.

1925

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

2019

The Colombo Ice Company (Pvt) Ltd was opened on 24th of May and commenced commercial operations on 12th of June.

CCS relaunched flavoured milk and bottled water.

2018

Completed installation of machinery in The Colombo Ice Company (Pvt) Ltd.

2017

Incorporation of The Colombo Ice Company (Pvt) Ltd, a fully owned subsidiary of Ceylon Cold Stores PLC. The Colombo Ice Company (Pvt) Ltd laid the foundation stone for the new factory at the BOI zone in Seethawaka.

2016

CCS celebrated its 150th Anniversary

2013

CCS Relocation from Justice Akbar Mawatha offices to Vauxhall Street.

2011

CCS introduced a new bottle shape.

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.

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

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.

1970
In January, the Company was quoted in the Colombo Stock Exchange.

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

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

2010
The Elephant House Brand Relaunched on 25th July.

Introduction of KIK Cola in December.

History at a Glance - Jaykay Marketing Services (Private) Limited (JMSL)

1991
1st Outlet opened at Liberty Plaza.

2002
Launched www.keellssuper.com, the first ever online supermarket in Sri Lanka.

2011
Reached Rs.10 billion annual turnover.

2013
Relocation of the Glennie Street office to Vauxhall Street.

2014
Launched Nexus Mobile, Sri Lanka's first independent card-less lifestyle loyalty programme.

2015
Nexus Network (Pvt) Ltd merged its operations with JMSL.

Reached Rs.20 billion annual turnover.

2016
JMSL celebrated its 25th Anniversary.

Reached 50 stores with the opening of Pepiliyana outlet.

2017
JMSL opened 15 new stores during the year.

Reached Rs. 30 billion annual turnover.

2018
JMSL opened 23 new stores during the year.

Reached Rs. 38 billion annual turnover.

Rebranded as "Keells".

2019
JMSL opened 18 new stores during the year.

Inclusion of Prepared Food Service in 35 outlets.

Year at a Glance

April / 2018

CCS re-launched the Elephant House flavoured milk range and the “Kiri Toffee” ice cream.

The seasonal “Aurudu Beema” marketing campaign in keeping with the traditions of the Sinhala and Tamil new year and the sponsorship of 3 large scale events “Sirasa Wasantha Udanaya” held in Anuradhapura, “ITN Surya Mangalyaya” held in Weerawila and “Rupavahini Kokila Udanaya” held in Mahiyangana were a huge success.

May / 2018

+2 JMSL Outlets

Minuwangoda and Embilipitiya

The Colombo Ice Company (Pvt) Ltd (CICL), a fully owned Subsidiary of CCS had its grand opening.

CCS partnered with the Capital Maharaja organisation for the 5th consecutive year at the “Sirasa Wesak Kalapaya”

“Kokila Udanaya” was held at Hanwella on 6th May 2018 which brought together over 600 employees and their families to celebrate Sinhala and Tamil New Year.

June / 2018

CCS launched “Elephant House Water ” in 3 pack sizes and the “Major Max” range as part of the water ice stick range.

The Colombo Ice Company (Pvt) Ltd began commercial operations.

July / 2018

+1 JMSL Outlets

Ja-ela

August / 2018

+4 JMSL Outlets

Wennappuwa, Mulleriyawa, Kurunegala and Panadura (Gorakana)

"Professor Yahaguna" a media led marketing campaign centered around the launch of CICL. Groups of children accompanied by their parents had a once in a life time opportunity to visit the new state of the art factory.

September / 2018

+1 JMSL Outlets

Bandaragama

CCS expanded its Impulse Ice Cream – “Wonder Range” by introducing two new variants, Choc Shock and Berry.

October / 2018

+1 JMSL Outlets

Negombo (Kimbulapitiya)

JMSL introduced its campaign "Freshness guaranteed; double your money back"

JMSL closed the Pelawatta outlet.

November / 2018

+2 JMSL Outlets

Gampola and Chillaw

Launched the “Cream Soda Ice” as the 2nd beverage extension in impulse ice cream range.

The CCS executive excursion was held on 16th and 17th November 2018 at Habarana.

67 JMSL outlets were refitted with the new brand and the new brand was launched.

December / 2018

+1 JMSL Outlets

Kesbewa

Wonder Berry Cone was launched for cone lovers.

"Winter Slice" our seasonal offering entered the market this year with a Chocolate and Vanilla ice cream loaf and the newly introduced Red Velvet flavour.

January / 2019

The ‘Fun Eke Next Level Eka’ wonder campaign was launched targeting the youth.

JMSL closed it's Nugegoda outlet.

February / 2019

+3 JMSL Outlets

Delpe, Negombo and Eldeniya

As part of Valentine's Day celebration conducted a promotion at Diyatha Uyana and Galle Face Green centered on the Imorich and Wonder range.

March / 2019

+3 JMSL Outlets

Biyagama, Marawila and Eheliyagoda

Women's Day was commemorated at CCS with a programme on Breast cancer awareness and the distribution of flowers, as felicitation for all our ladies.

Value Creation Model

CAPITAL INPUTS

Financial Capital

Rs. 15,400 million
Shareholders' funds

Rs. 11,028 million
Debt

(Page 47-49 for more information)

Manufactured Capital

Rs. 18,121 million
Property plant & equipment

96
Retail outlets

(Page 50-51 for more information)

Human Capital

5,849
Employees

347,617
Training hours

(Page 52-56 for more information)

Social & Relationship Capital

3,000
Supplier relationships

3,908
Out-growers

164 Distributors | **100,000+** Outlets

Brands **45** Ice cream | Flavours **31** Beverage

(Page 59-66 for more information)

Intellectual Capital

Recipes and product formulations

Tacit knowledge, Systems, Processes and Standards

(Page 57-58 for more information)

Natural Capital

629,519 m³
Water usage

237,780 GJ
Energy consumption

(Page 67-71 for more information)

VALUE CREATING ACTIVITIES

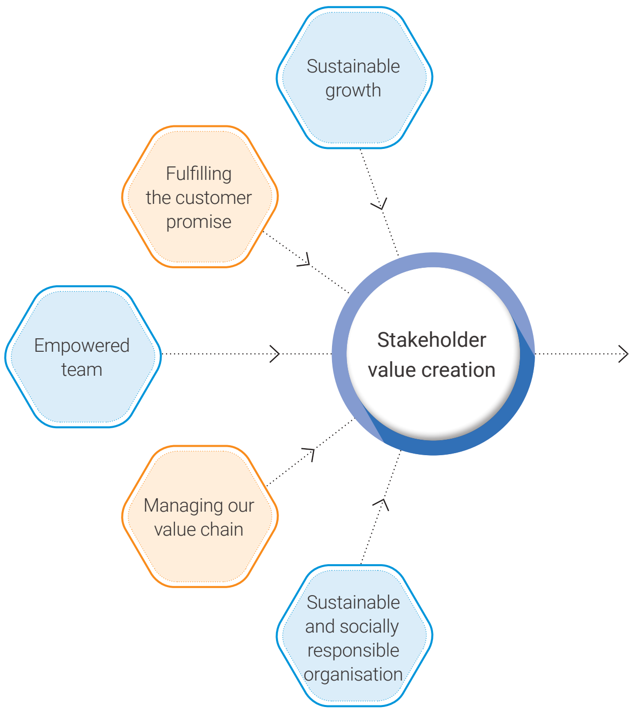
Manufacturing *(Page 40 to 43)*

Procurement of high quality raw materials → Manufacture frozen confectionery and beverages → Distribution → Managing customer relationships → R&D

Retail *(Page 44 to 46)*

Procurement of goods from an extensive base of suppliers → Storage of goods in warehouse → Distribution to our retail network → Sales and marketing

Our Strategy *(Page 34 to 36)*



Corporate Governance (page 74-101) and Risk Management (page 102-108)

OUTPUTS	OUTCOMES
Rs. 1,310 million Profit after tax **Rs. 15.00** DPS **Rs. 13.79** EPS	**Shareholders:** The profits we generate create value to dividends and increases in share price. *(page 47-49)*
Ice cream: Bulk / Impluse Beverages: CSD / Flavoured Milk / Fruit Drinks / Water	**Customers:** Our innovative products are aimed at delighting customers and creating moments of pleasure. *(page 59-66)*
Rs. 5,306 million Payments to employees **Rs. 47 million** Investment in training	**Employees:** Our employee value proposition comprises of engaging, developing and rewarding employees. *(page 52-56)*
Rs. 1,680 million Payments to private label product manufacturers **Rs. 2,861 million** Purchases from out-growers **Rs. 56,118 million** Payments to suppliers	**Suppliers and Business partners:** We support and develop individuals and businesses across our value chain. *(page 59-66)*
Rs. 26 million Community investments **994 hours** Volunteer hours	**Communities:** We uplift communities through job creation, CSR engagements and minimization of negative environmental impacts. *(page 59-66)*
Rs. 6,594 million Tax payments	**Government:** We contribute to the government revenue through timely payment of taxes and other levies. *(page 59-66)*

Impacts

3,812 MT	190,083 m^3	40,358 tCO_2e
Solid waste	Effluents	CO_2 footprint

Value Creation in 2018/19

Financial Capital

Rs. 2,606 million
Operating profit

Rs. 1,310 million
Profit after tax

Rs. 13.79
Earnings per share

Rs. 15.00
Dividend per share

Manufactured Capital

Rs. 4,200 million
Investment in new impulse ice cream factory

100%
Increase in capacity of impulse range

Rs. 6,584 million
Total CAPEX

18
New Keells outlets

Social and Relationship Capital

Rs. 3,002 million
Payments to farmers

Rs. 26 million
Investment in CSR

Rs. 56,118 million
Total payments to suppliers

994
Volunteer hours

Human Capital

Rs. 5,306 million
Total payments to employees

Rs. 47 million
Investment in training

Intellectual Capital

Rs. 41 million
R&D spend

8
New ice cream flavours introduced

Natural Capital

40,358 tCO_2e
Carbon footprint

41
Outlets with solar power

Investing in our Future

Manufacturing

Rs. 4.2 billion

Investment in new production facility in Seethawaka BOI zone

100 %

Increase in impulse ice cream production capacity

70

Employees at the new production facility in Seethawaka

CCS successfully commissioned its new state-of-the-art ice cream manufacturing facility in Seethawaka during the year. One of the largest and most modern facilities in Asia, the new factory features environmentally sustainable and highly automated manufacturing methods. Following this commissioning, CCS has increased its production capacity of the impulse-range of ice creams by 100%, aptly positioning itself to capture growth opportunities in this rapidly expanding impulse category.

Retail

67

Stores re-branded during the year

3 %

Increase in market share

18

New outlets

In 2018/19 the Retail arm successfully transitioned to the new Keells branding across its network, achieving full coverage of its outlets by October 2018. Built on the attributes of Freshness, Customer Experience and Value for money the new branding and store layouts have redefined Sri Lanka's modern trade industry standards. In addition to the overall look and feel of the outlets, the new layouts feature a wider product range, improvements in structure, design, construction as well as hygiene, cleanliness, air quality, temperature and lighting with the objective of driving improved customer experience.

In embedding the new brand attributes across our value chain, we also sought to rebrand our training centre, collection centres, customer communications and private label products thereby achieving holistic unification of the brand proposition across our operations.

Awards and Accolades

SLIM NIELSEN PEOPLES Awards

March 2019

CCS won the "Most Popular Beverage Brand" and the "Youth Choice Beverage Brand of the year" for Elephant House Cream Soda

SLIM NASCO Awards

September 2018

CCS won 2 Gold awards in the "FMCG Beverages Front Liner" and "FMCG Frozen Confectionery Front Liner" categories and a Bronze award for the "FMCG Frozen Confectionery Executive" category

NCE Export Awards

September 2018

CCS won 2 Gold awards in the "Fresh and Processed Agriculture Exports" and "Frozen Confectionery and Beverage Medium scale" categories

CA Sri Lanka - Annual Report Awards
December 2018

CCS won the Gold award in the Food and Beverage category

National Business Excellence Awards January 2019

JMSL won the Gold award in the Trading Sector

Melbourne Design Awards
May 2018

JMSL won the Silver award for Marketing Branded Experience

Transform Asia Pacific Awards May 2018

JMSL won the Silver award for Best Visual Identity in Retail Sector and Best Brand Experience

Our Certification - 2018/19

	CCS – Ranala	CICL - Seethawaka	Other
Quality Awards/Certifications for Food & Beverage	Separate certifications for ISO 9001:2015 based Quality Management System in the Ice Cream plant and Soft Drink plants	Certificate for ISO 9001:2015 based Quality Management System in the Ice Cream plant	SLS 221:2010 – Fit O branded flavoured fruit drinks
	Separate certifications for ISO 22000:2005 based Food Safety Management System in the Ice Cream and Soft Drink plants	ISO 22000: 2005 based Food Safety Management System in the Ice Cream plant	SLS 894:2003 – EH branded Bottled Drinking Water
	SLS 223: 2017 certificate for EH branded Ice Cream	SLS 223: 2017 certificate for EH branded Ice Cream	
	SLS 183: 2013 certificate for EH branded Carbonated Beverages	SLS 967: 1992 certificate for EH branded Frozen Confections/Ice Palam	
	SLS 183: 2013 certificate for KIK branded Carbonated Beverages	Halal Certification for Ice Cream/Ice Palam	
	Halal Certification for Ice Cream		
Occupational Health and Safety	OHSAS 18001: 2007 certificate		


Elephant House™
SRI LAN
FAVOU
ICE CRE
Twist
vanilla ice cream with chocolate sauce
Natural Vanilla & Cocoa
Karutha Kolumban
Ice Cream
Real Karutha Kolumban Mango
Hakuru Mix
Ice Cream
with Real Kitul Jaggery


KA'S
RITE
EAM

Chairman's Message

Dear Shareholder,

It is with pleasure that I present the Integrated Annual Report and the Audited Financial Statements of Ceylon Cold Stores PLC (CCS) for the year ended 31st March 2019.

The year under review was a challenging one for the FMCG industry amid a modest GDP growth of 3.2 percent for the calendar year 2018. Consumer discretionary spending remained subdued with a decline in volume observed across several categories in the FMCG industry. A lackluster performance of the economy driven by a steep depreciation of the rupee, tight monetary conditions along with adverse weather conditions impacted the consumer demand.

CCS marked another milestone in its history with The Colombo Ice Company (Private) Limited (CICL) located in the Seethawaka BOI zone commencing commercial operations in June 2018.This state-of-the-art factory enhanced the production capacity of CCS in its impulse range of ice cream with greater operational efficiencies and economies of scale, while expanding the variety of offerings to the consumer.

The Frozen Confectionery sector experienced a volume growth of 10 percent with the growth in the impulse segment at 18 percent and bulk segment at 6 percent with the growth in volumes in the impulse segment being supported by the commencement of commercial operations of CICL. Revenue generated from this new venture accounted for over 16 percent of the manufacturing segment revenue reflecting the strong growth in the impulse category. The impulse ice cream product offerings were expanded with the introduction of 6 new products to the market which supported the growth in volume.

The Beverage sector witnessed a 25 percent decline in volume due to continued tapering of demand on Carbonated Soft Drinks (CSD) due to the price increases taken to mitigate the increased excise duty. The industry welcomed rationalization of the sugar tax in the Government budget proposals for 2019 enabling the business to reduce prices of carbonated beverages towards the end of the financial year, which resulted in an uptick in volumes. The Beverage sector continued to extend its portfolio during the year, catering to non-carbonated products, adding bottled water and dairy products to the existing fruit juice portfolio. The initial uptake of these products in the market has been encouraging and the business will focus on continuing to grow the volumes in the non-carbonated categories in the future.

Our Retail sector, under Jaykay Marketing Services (Private) Limited (JMSL) outpaced market growth, driven by the continued expansion of Keells stores which grew to 96 at the close of the financial year from a store count of 80 at the start of the reporting period. During the period under the review the business completed the brand transformation exercise across 67 stores with the rebranding and refitting of all stores completed by October 2018. The new "Keells" brand was formally launched in the latter half of the financial year with a brand promise of fresh, innovative and better value for money choices. The new brand continues to be well received along with the extensive range of new services offered for added convenience which include freshly prepared meals and juices contributing to drive footfall in line with expectations. The private label range of products grew substantially with consumers shifting to private label products which offered quality on par with national brands at better prices. The business continued to focus on the supply chain to support the brand promise with initiatives launched to ensure that produce reaches shelves in the shortest time and in the best condition. An increase in market share stemming from a growth in footfall is a testament to the new brand being embraced by our customers. Our Nexus Mobile loyalty programme also showed strong growth to reach over 1.2 million members - retaining its position as one of the most successful loyalty programmes in the country. Weak consumer spending resulted in a decline in average basket value which in turn contributed to weaker same store sales growth and negated the sound growth in footfall. Weak same store sales growth along with tighter margins, one-off costs of rebranding and increased funding costs due to expansion related capital expenditure impacted the bottom line during the year.

Opportunities and Prospects

Consumer insights remain a key focus across all business segments within the CCS Group and several initiatives were implemented during the year to expand the range of product offerings. These include the introduction of bottled water and dairy to our beverage segment, a continuous reduction of sugar levels in our beverages, an expansion of the impulse ice cream range, inclusion of nutritional information on our private label food products and the introduction of freshly prepared meals and juices at our retail stores. CCS continues to engage with the relevant regulatory bodies to work towards supporting the sugar reduction initiative that commenced few years ago. The traction on the CSD "Go Sugar Free" variant introduced in 2018 was disappointing and as a result of the lack of consumer demand for sugar free CSD beverages in the Sri Lankan market, the Company withdrew the range.

South East Asian countries have witnessed a growth in impulse products along with an increase in per capita income, a trend that has been observed in Sri Lanka as well over the past few years. Diversified product capabilities in our new impulse plant enables us to seize this opportunity to grow the volume of impulse products going forward.

Rebranding and growth of the Retail sector provides exciting opportunities for fulfilling its core purpose to improve the quality of life for the nation. We continue to expand our in-store offerings to drive convenience and affordability and enabling consumers to make better choices to live healthier lives. Growth of our loyalty programme beyond the 1.2 million mark provides opportunities for customized offerings using advanced data analytics to drive future growth.

Work continues on the 335,000 square foot, state of the art centralised Distribution Centre (DC) for JMSL. With an investment of Rs.4 billion, the new DC will support expansion of its store network, enhance the "fresh" supply chain for fresh and chilled products and streamline store processes by centralising all its dry goods range. The new DC is expected to be operational by 2020/21.

Growth and Profitability

Consolidated revenue increased by 16 per cent to Rs. 59 billion with fully owned Subsidiary JMSL accounting for approximately 77 per cent of revenue and CCS & CICL (Manufacturing sector) accounting for the balance. The Manufacturing sector recorded a top line of Rs 13.9 billion, which is a marginal increase of 1 percent which reflected the significant volume decline in the carbonated soft drinks segment despite the volume increase in the ice cream segment, whilst Subsidiary JMSL recorded a revenue of Rs. 46 billion, a growth of 21 percent supported by the addition of new outlets, a more relevant customer value proposition, effective loyalty programme and aggressive promotions.

Consolidated gross margins reduced by 2 percent due to consumer spending remaining subdued necessitating a careful balance in pricing of products despite the escalation of cost pressure on raw materials and overheads due to uneven supply of materials due to adverse weather patterns, steep depreciation of the rupee and the increase in oil prices

Consolidated profit before tax amounted to Rs. 2 billion, a decline of 46 percent as the selling, and distribution cost increased by 34 percent to support the branding and marketing activities of the new impulse ice cream products introduced to the market and rebranding costs of the retail business. The finance costs increased by Rs. 615 million as a result of the increased borrowings obtained to fund the store expansions and the construction of the new frozen confectionery plant in the Seethawaka BOI zone. The consolidated EBIDTA was recorded at Rs. 4 billion compared to Rs. 4.7 billion in previous year, recording a decline of 14 percent. Consolidated profit after tax for the financial year amounted to Rs. 1.3 billion, a decline of 49 percent compared to the previous year.

Total assets increased by 27 percent to Rs. 38 billion stemming from the investments mentioned above, significantly enhancing the future earnings potential of the Group. These investments were funded through internally generated funds and borrowings resulting in a group consolidated debt to equity ratio of 72%.

Value to the Shareholder

Your board has approved the payment of a final dividend of Rs. 8.00 per share in addition to an interim dividend of Rs. 7.00 per share paid in March 2019, resulting in a total dividend payout of Rs. 15.00 per share for the financial year 2018/19. The total dividend payout for the financial year amounts to Rs. 1.4 billion which was on par with the amount paid last year.

Our People

The value creation process of the Company has been built around 5,849 loyal and committed employees which grew during the year with new recruitment focused on meeting the requirements of new ice cream factory at Seethawaka and JMSL store expansions. We also launched several initiatives to support the performance and career progression of our team including the launch of a quarterly employee survey and the "Living Values" initiative of the John Keells Group which was customized to the CCS Group. Launch of the Keells Online Retail Academy added a further dimension to the existing 12-month training programme enabling employees to learn at their convenience incorporating concepts such as gamification, quizzes, evaluations and discussion forums enriching the learning experience on a digital platform. We will continue to empower, mentor and invest in our people, aligning their personal development to achieve Company goals.

Total monetary value delivered to employees during the year amounted to Rs. 5.3 billion including remuneration, welfare, training and development costs. We strongly believe that the non-monetary value delivered through empowerment, mentoring and alignment to personal values and goals are key contributors to employee retention.

Managing Supply Chains

We serve an island wide network of over 100,000 outlets, 164 distributors and source from 5,537 farmers and 3,000 suppliers who are our closest business partners. A majority of purchases are sourced from local farmers to whom we paid Rs. 3 billion during the year. Farmers supply milk, ginger, vanilla, cashew nuts, treacle and jaggery for the Manufacturing segment and fresh vegetables for 96 Retail stores. CCS continued its support given to farmers to obtain the Good Agricultural Practices (GAP) certification during the year whilst we continued to provide technical assistance to disabled persons to grow a part of our ginger requirement which has a buy back guarantee enabling them to supplement household income. Similarly, the Retail sector encouraged its private label manufacturers to obtain Good Manufacturing Practices (GMP) certification ensuring that they remain sustainable operations. JMSL added another Collection Centre in Keppetipola to ensure that produce reaches the shelves in the shortest time possible directly from the farm gate.

CCS continued to work with the distributors to ensure they maintain streamlined operations and remained profitable in difficult times with distributor sales representatives being offered the opportunity to train alongside Company sales representatives. In addition, we distributed 4,100 coolers and freezers to increase the product availability in the market.

Sustainability

I am pleased to note the continuous efforts taken over past few years to improve our intensity ratios for energy consumption, emissions and the decrease in use of plastic as we continue to innovate to minimize environmental impacts of our business. We continued to support Pasticycle, the collaboration with our Parent John Keells Holdings PLC, to recycle plastic and are encouraged by our customer response as they continue to fill the bins placed at different locations.

CCS Group worked together with the John Keells Foundation on a number of strategic philanthropy projects to support specific needs of communities we operate in, investing a total of Rs. 26 million and 994 staff volunteer hours.

The John Keells Vision Project which is primarily an island wide cataract project aligned with the World Health Organisation's "Vision 2020" Project conducted 3 eye camps funded by CCS benefiting 124 persons with cataract surgeries and also worked with the

Chairman's Message

Ministry of Health in the School Screening Programme in the Colombo District enabling early detection of vision impairment in school children.

Realising Our Potential

As you are aware, there were multiple terror attacks across the country on Easter Sunday, 21st April 2019, which resulted in the loss of many lives, including staff members and guests at Cinnamon Grand Colombo, a hotel property of the John Keells Group. It is with deep regret that we mourn the lives of all lost due to this incident, while wishing the injured and those affected a speedy recovery.

We note that the security situation has been brought under control with overall conditions reverting to a sense of normalcy. It is important that the country deals with this situation with resilience as we move forward to restore stability and growth in our country. While there will be impacts on the economy in the short term, particularly to the tourism industry, and it may be premature to assess the medium to long term impacts on the economy, we believe that the macroeconomic fundamentals will be able to withstand and overcome these incidents, and as such we do not expect a significant negative impact on the outlook of our business at this juncture of time.

CCS, CICL and JMSL will continue to pro-actively cater to changing consumer needs and lifestyles, creating value for our customers backed by a strong balance sheet and cashflows, and a portfolio of household brands.

Long term strategic plans have been developed for CCS, CICL and JMSL by the respective management teams with inputs from your Board taking into consideration consumer insights, the operating environment, opportunities for sustainable growth and our capabilities. These plans maximize growth opportunities themed around enhancing quality of life for Sri Lankans through product portfolio extensions, entry into new product categories, continued expansion in the retail business and enhancing customer experiences.

Increased capacity for manufacture of frozen confectionery products with the commencement of operations of CICL together with focused growth on the non-carbonated range of beverages is set to improve the topline growth in CCS.

JMSL will continue to focus on an aggressive expansion of new retail outlets, an expansion of the private label portfolio and introducing new innovations with a focus on fresh categories. We will also focus on customising offerings through deeper understanding of our loyalty programme data to provide an enhanced customer experience. Operational efficiencies will be realised with the new centralised distribution center strengthening our value proposition to customers.

A strong focus on deriving cost efficiencies is vital to support bottom line growth as the near term forecast for economic growth remains modest. Accordingly, we will continue to work together with our business partners to maximise potential for efficiencies along the supply chain, driving productivity and minimising waste through innovative and efficient workflows. We have embarked on an advanced analytics transformation journey and are in the process of strengthening data driven decision making to drive operational performance.

Acknowledgements

I take this opportunity to thank Mr. Susantha Ratnayake for his invaluable contribution during his tenure of leadership of the Company and Mr. Jitendra Gunaratne for his service as a Non-Independent, Executive Director.

The management of the CCS Group and their teams have worked together to overcome several challenges during the year, and I commend their ingenuity and passion in delivering the performance set out in this Annual Report. I extend my appreciation for the work done by our distributors in ensuring that our products are available and accessible throughout the country. I thank our suppliers for enabling us to uphold our customer promise and look forward to engaging further to innovate and extend our offerings. We are grateful to our consumers who have made our products and services part of their way of life and look forward to their continued support as we grow.

I wish to thank my colleagues on the Board for their diligent supervision and deliberations. The Board joins me in thanking our shareholders, for their continued confidence and support.

Krishan Balendra

Krishan Balendra
Chairman

22nd May 2019

The Board of Directors

Krishan Balendra

Non Independent - Non Executive Director - Chairman

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

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

Gihan Cooray

Non Independent - Non Executive Director

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

Mr. Cooray is the Deputy Chairman/Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology functions (including John Keells IT) and John Keells Research. He is the Chairman of Nations Trust Bank PLC. Mr. Cooray holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a Certified Management Accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

Daminda Gamlath

Non Independent - Executive Director

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

Mr. Gamlath is the Sector Head for the Consumer Food Industry Group. Mr. Gamlath has been with the John Keells Group since 2003. He was the Sector Financial Controller for the IT Sector and then the Consumer Food Sector before he was appointed as the Head of Beverages in 2013. Prior to joining the JKH Group, he worked at Hayleys Group. Mr. Gamlath holds a B.Sc(Eng) degree from the University of Moratuwa, an MBA from the University of Colombo and is a passed finalist of the Chartered Institute of Management Accountants of UK.

Muhammed Hamza

Independent - Non Executive Director

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

Mr. Hamza has over 30 years of managerial experience in the FMCG industry. Presently he is the Chairman of the Sri Lanka Handicraft Board – Laksala and prior to that he was the CEO/Director at Atlas Axillia (Pvt) Ltd, for a period of 5 years. He had a 28 year career with Nestle, holding Senior Marketing and General Management positions in Sri Lanka, India, Pakistan and Indonesia and has played a significant role in transforming the Nestle business in Sri Lanka. 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. He holds a B.Com degree from the University of Peradeniya, an MBA from The American University in Washington DC and a Post Graduate degree in General Management from IMD, Switzerland.

Dr. Shanthi Wilson Wijeratnam

Independent - Non Executive Director

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

Dr. Wijeratnam graduated from University College London with a B.Sc Hons, degree in Microbiology and obtained her Ph.D. from the University of Cambridge, specializing in plant pathology and post-harvest technology. She was the Head of the Food Technology Section and subsequently Additional Director Research and Development at the ITI (Former CISIR). She was the country representative for IAEA supported food irradiation programmes and has been a visiting scholar at Cornell University, RIKILT, Netherlands, the University of Hawaii, the University of Cambridge and the University of Guelph. She has served on the Board of Directors of the Atomic Energy Agency and was Chairman of the Institute of Post-Harvest Technology. She has served on the Editorial Board of the Journal of the National Science Foundation. In January 2017 she was appointed to the International Advisory Board of the "Feed the Future - Horticulture Innovation Lab", at the University of California, Davis.

Sharmini Ratwatte

Independent - Non Executive Director

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

Ms. Ratwatte is a Fellow Member of the Chartered Institute of Management Accountants, UK and also holds a Master's in Business Administration from the University of Colombo.

Ms. Ratwatte holds Non-Executive Directorships in BPPL PLC, a manufacturer and exporter of household and professional cleaning products and is a Trustee of Sunera Foundation, a non-profit organisation empowering differently-abled persons using the performing arts. She is a Founding Trustee and Former Chairperson of the Federation of Environmental Organisations, which works to support environmental organisations operating in Sri Lanka.

Management Team

Ceylon Cold Stores PLC

(In alphabetical order)

Belindra Weerasinghe

Vice President

Belindra is the Head of the Beverages category of Ceylon Cold Stores PLC and joined the Company in 2014. Belindra has over 20 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 Food Industry Group. He has more than 15 years of experience in the Pharmaceutical and FMCG industry and has experience of working in international markets in his previous work experiences with Dilmah Tea. Buddhika holds an MBA from AeU University Malaysia and is a Certified Professional Marketer of Asia Marketing Federation (AMF) and a holder of a Post Graduate Diploma in Marketing. He is also a member of the Sri Lanka Institute of Marketing and a visiting lecturer at Sri Lanka Institute of Marketing.

Daminda Gamlath

Executive Vice President/Director

Daminda is the Sector Head of the Consumer Foods Industry Group. He joined the John Keells Group in 2003 and was the Sector Financial Controller of the IT Sector and then the Consumer Foods Industry Group. He was appointed as the Head of Beverages in 2013. Prior to joining the JKH Group, he worked at Hayleys Group. Daminda holds a BSc. (Eng) degree from the University of Moratuwa, an MBA from the University of Colombo and is a passed finalist of the Chartered Institute of Management Accountants of UK. He was appointed as a member of the John Keells Group Operating Committee (GOC) in 2017.

Duminda Gunawardena

Assistant Vice President

Duminda is the Head of Manufacturing of Ceylon Cold Stores PLC and joined the John Keells Group in 2016. He has over 17 years of experience in the FMCG sector having previously worked for Unilever Sri Lanka, Coca Cola Beverages Sri Lanka, Premium Exports Ceylon Ltd, Industrial Stainless-Steel Fabrication (Pvt) Ltd and has held key roles in engineering, production and project management. Duminda holds an Engineering Diploma NDT (Electrical Engineering) from the University of Moratuwa, a Master of Manufacturing Management (MMM) from the University of Colombo.

Mahendra Amarasinghe

Assistant Vice President

Mahendra is the Head of Sales for the Frozen Confectionery category. He joined Ceylon Cold Stores PLC in 1991 and has 27 years experience in sales function in both Soft Drinks and Ice Cream categories.

Nelindra Fernando

Executive Vice President

Nelindra is the Chief Financial Officer of the Consumer Food Industry Group. She has been with the John Keells Group since 2013. Prior to that, she worked at the MAS Group for over 10 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. She was appointed as a member of the John Keells Group Operating Committee (GOC) in 2018.

Nimali Liyanage

Assistant Vice President

Nimali is the Head of Tax of John Keells Consumer Food and Retail Industry Group. She joined the John Keells Group in 2012. Prior to joining the John Keells Group, she worked at KPMG Sri Lanka, KPMG Australia and PricewaterhouseCoopers (PwC) Sri Lanka. Nimali is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Sc. Accounting and Financial Management (Special) degree from the University of Sri Jayewardenepura.

Nisansala Paranayapa

Vice President

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

Ruwan Kumara

Assistant Vice President

Ruwan is the Head of Quality Assurance and Regulatory Affairs of Consumer Foods Industry Group. He joined the John Keells Group in 2016. Ruwan has over 20 years of experience in the FMCG, food and beverage sector, having previously worked for Fonterra Brands Lanka and Coca-Cola Beverages Sri Lanka. During his career, he has held key roles in R&D, quality, regulatory and public affairs. Ruwan holds a BSc. (Agri) special degree from the University of Peradeniya, MSc. (Food Science and Technology) from the University of Sri Jayewardenepura and an MBA from the University of Colombo. He is a member of the Food Advisory Committee of the Ministry of Health and Acting Chairman of the Food and Beverage Steering Committee of Ceylon Chamber of Commerce. He also serves as a visiting lecturer to the master's programme of the University of Colombo and as a technical assessor to The Sri Lanka Accreditation Board.

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 of the Institute of Engineers, Sri Lanka, and holds a BSc. Engineering degree from the University of Peradeniya and an MBA in Management of Technology from the University of Moratuwa.

Sathish Ratnayake

Vice President

Sathish is the Head of Frozen Confectionery category of Ceylon Cold Stores PLC. He has over 25 years' experience in sales and marketing functions in diverse industry sectors. Prior to joining JKH, he was attached to Unilever Sri Lanka for 14 years covering sales, marketing, customer and trade marketing functions. He has also worked for Pure Beverages Ltd, Cargills Ceylon PLC, Bharti Airtel Lanka Ltd and Heineken Asia Pacific. Sathish holds a master's degree from Cardiff Metropolitan University (UK) and a Diploma in Marketing from the Chartered Institute of Marketing (UK).

Thilina Abeygunawardane

Assistant Vice President

Thilina is the Head of Financial Planning and Analysis of Consumer Foods Industry Group. He joined the John Keells Group in 2010 as a Trainee Management Accountant. Thilina holds a BSc. Accounting Special Degree from the University of Sri Jayewardenepura, is a passed finalist of the Chartered Institute of Management Accountants of UK and a Finalist of the Association of Chartered Certified Accountants UK.

The Colombo Ice Company (Pvt) Ltd

Irsula Rajakaruna

Assistant Vice President

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

Jaykay Marketing Services (Pvt) Ltd

(In alphabetical order)

Aravinda Wanniarachchi

Executive Vice President

Aravinda is the Chief Financial Officer of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2007. He was attached to the Group Corporate Finance and Strategy team of John Keells prior to joining the Retail Sector. He is an Associate Member of the Chartered Institute of Management Accountants (UK) and holds a BBA Marketing (Sp.) Degree from the University of Colombo. He was appointed as a member of the John Keells Group Operating Committee (GOC) in 2018.

Ashan Ransilige

Vice President

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

Charitha Subasinghe

President / Director

Charitha is the President 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), and 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 and Group Executive Committee (GEC) in 2018.

Janith Gunasiri

Assistant Vice President

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

Kanchana Bamunuarachchi

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 and Group Initiatives Department of John Keells Holdings before joining the category management department of JMSL. She holds a BSc. (Honours) degree in Management & Information Technology from the University of Kelaniya (Sri Lanka) and an MBA from the Edith Cowan University, Australia.

Management Team

Lauren Chang
Assistant Vice President

Lauren is the Head of Marketing of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2017. She was attached to GlaxoSmithKline Consumer Healthcare as a Senior Manager – Projects, responsible for developing brands and handling strategic projects. She is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as holding a BBA Marketing (Sp.) degree from the University of Colombo (Sri Lanka) and an MSc. in Business Psychology from Heriott-Watt University, Edinburgh. She is also certified for Core Training in Professional Coaching by the Coach Masters Academy, Singapore.

Mifrah Ismail
Assistant Vice President

Mifrah is the Head of Fresh Food of Jaykay Marketing Services (Pvt) Ltd and joined the John Keells Group in 2011. He was attached to the category management department before joining the fresh food team. He is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as a Diploma Holder of the Chartered Institute of Marketing (UK). He also holds a BBA Finance (Sp) degree from the University of Colombo.

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 the Carsons Group of companies for 4 years in the Human Resources function. He holds a Diploma in Human Resources Management from the Institute of Personnel Management, Sri Lanka and an MBA from the University of Southern Queensland, Australia.

Sajeev Jeganathan
Assistant Vice President

Sajeev is the Head of Projects of Jaykay Marketing Services (Pvt) Ltd and joined John Keells Group in 2010. He was attached to the Projects Department of Cinnamon Hotels Management Services (Pvt) Ltd before joining Jaykay Marketing Services (Pvt) Ltd in 2013. He holds a BEng in Aerospace Engineering from the University of Sheffield, UK.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UNTOUCHED REFRESHMENT
SLS
894

Stakeholder Interactions

Understanding and effectively responding to the expectations of our stakeholders is vital in ensuring the creation of long-term shared value. We maintain ongoing stakeholder engagement through multiple formal and informal platforms and the feedback obtained is a key input in determining strategy and supporting our drive towards integrating sustainability into our daily business operations. Stakeholders concerns arising from the Group's stakeholder interactions for the year 2018/19 are summarised below. Please refer to the respective capital reports for further details on how we engage with our stakeholders.

Key stakeholder topics and concerns in 2018/19

Shareholders

- Sustainable growth in financial, social and environmental performance
- Return on investment
- Adequate risk return balance
- Corporate governance and risk management frameworks
- Corporate reputation
- Transparency and credibility of disclosures

Addressed through the 'Sustainable Growth' pillar of our strategy

Consumers

- Value for money
- Compliance with all applicable food safety standards
- Product quality
- New product development aligned to customer health, nutritional and lifestyle expectations
- Consumer promotions and loyalty programme
- Stores that are designed to deliver best in class shopping experience to customers
- Excellence in customer service at our retail stores

Addressed through the 'Fulfilling the customer promise' pillar of our strategy

Customers-Distributors and Retailers

- Sustainable business growth
- Maintaining profitability
- Access to market information
- Continuous supply of products
- Acceptable credit terms
- Ethical business conduct
- Recognition and rewards
- Capacity building

Addressed through the 'Value Chain Development' pillar of our strategy

Communities

- Creation of direct and indirect employment opportunities
- Livelihood and community development
- CSR initiatives
- Compliance to all relevant food safety and environmental regulations

Addressed through the 'Responsible Organisation' pillar of our strategy

Government

- Compliance with relevant regulations and guidelines
- Payment of taxes on a full and timely basis
- Employment generation
- Contribute towards community development
- Environmental preservation

Addressed through the 'Responsible Organisation' pillar of our strategy

Suppliers

- Equitable and on-time payments
- Sustainable demand for products
- Capacity building and financial support
- Competency development

Addressed through the 'Value Chain Development' pillar of our strategy

Employees

- Remuneration and benefits
- Job security
- Conducive work environment
- Skill and knowledge development
- Health and Safety
- Dignity of labour
- Career progression and succession

Addressed through the 'Empowered Team' pillar of our strategy

Market Review

The environment we operate in is increasingly competitive and dynamic, and in order to remain relevant to our customers, driving accelerated change is essential. The evolving industry landscape underscores the importance of strategic agility in navigating market uncertainties and during the year under review we refined our strategy to effectively respond to the following industry trends.

Government policy and regulation

Governments are increasingly focusing on public health, wellness and environmental objectives.

- The sugar taxation in November 2017 led to a near 35% increase in the price of many stock keeping units in the beverage category
- Frequent changes on regulations for product labelling
- Ban on polythene less than or equal to 20 microns

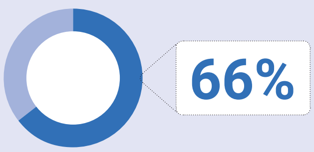
Our response

- 45% reduction in sugar content in our CSD range
- Going beyond regulation and displaying the nutritional content of our private label products in supermarkets

Rise of the conscious customer

Consumers are increasingly basing their purchasing decisions on many factors beyond price. Led by millennials, this is forcing retailers to act sustainably and practice strong ethics.

66% of Consumers are willing to spend more on a product if it comes from a sustainable brand committed to positive social an environmental impact (Global Sustainability Report by Nielsen)



Our response

- Ethical sourcing of raw materials and products
- Environmentally friendly manufacturing methods

Consumer preferences for health and nutrition

Consumers are increasingly seeking products with meaningful functional benefits including energy and stress relief which can support healthy and robust lifestyles. Nutrition and wellness are emerging as a key priority, particularly among millennials, triggering a shift towards natural and organic offerings which have a lower calorie count. Globally, preferences have shifted towards natural, nutrient-dense ingredients with millennials leading the exit from preservatives and artificial ingredients.

7/10 consumers are willing to give up a familiar product for one that doesn't contain artificial ingredients

of those, **4/10 consumers** Would be willing to pay 50% more for a product with natural ingredients

**2018 Food and Health Survey-International Food Information Council Foundation*

Our response

- Sugar reduction in our CSD range and widening the beverage portfolio to include water, flavoured milk and fruit drinks
- Display nutri-info boards in supermarkets
- Freshness Guarantee Initiative at supermarkets

Connectivity

Unprecedented adoption of technology and connectivity is transforming customer expectations and they interact with retailers. The entire retail experience is now being digitalised, from product research and ordering online to home deliveries. Meanwhile, social media is a powerful tool for shaping brand perceptions engaging with customers.

Our response

- Expanding the online operation of our Retail arm
- Active social media engagement

Shopping habits

Customer experience has emerged as a key source of competitive advantage in the retail industry, as retailers are striving to differentiate themselves in an intensely competitive market place. According to the Customers 2020 research by Walker, customer experience is set to overtime price and product as key brand differentiators by 2020.

Our response

- Customer experience is a key attribute of the new Keells brand, and our customer proposition is centred on enhancing customer experience through store layout, customer service and product quality

Strategy in Action

Our strategy is designed to address the challenges and capitalise on the opportunities presented by an evolving industry landscape. To deliver our strategy we have prioritised five key areas of our business, which are designed to differentiate both our manufacturing and retail offering while delivering on our stakeholder value creation commitments.

Strategic Objective 1: Sustainable Growth

Manufacturing

The commissioning of the Group's state of the art impulse range ice cream factory during the year has led to a near doubling of capacity, aptly positioning CCS to capitalise on rapid growth in the segment. We also sought to broaden our product range with the introduction of several new flavours and offered competitively priced products which allowed us to capture market share in the impulse segment. In beverages, we sought to expand the non-CSD range with the re-launch of flavoured milk and bottled water during the year. Continued emphasis was also placed on driving manufacturing efficiencies in our factories.

(Refer to page 40-43 for further information)

Retail

Opened 18 new outlets during the year including in key outstation locations, bringing the total to 96 by end-March 2019. We also expanded the product range, enhanced the service offering and sought increased productivity and efficiencies in driving profit growth.

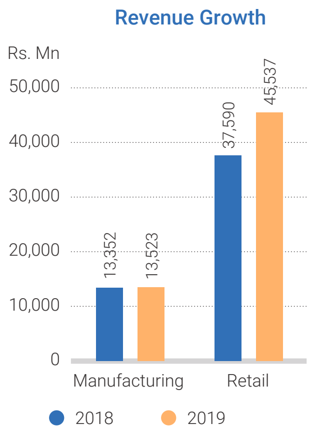
(Refer to page 44-46 for further information)

Resources Allocated

Rs. 4,200 million
Investment in new impulse ice cream factory

Rs. 4,844 million
Capital expenditure in retail segment

KPIs



+16%
Revenue growth

+80%
Equipment efficiency rate

What's Next

- Ongoing expansion of the retail network
- Further expansion of our impulse-range products

Strategic Objective 2: Fulfilling the Customer Promise

Manufacturing

Effectively responded to evolving consumer needs with the launch of several new products in both categories. We also enhanced the customer value proposition through a downward price revision in certain products in the frozen confectionery range with focus on offering high quality products at affordable prices. Sugar reduction efforts are ongoing in the CSD range, with 45% of the sugar content reduced in 80% of our beverages over the past 3 years.

(Refer to page 59-66 for further information)

Resources Allocated

Rs. 41 million
Investment in R&D

Strategic Objective 2: Fulfilling the Customer Promise (Contd.)

Retail

Strategic focus on enhancing customer experience through providing Prepared Food offerings, delivering on our fresh food promise, driving better customer service and expanding the private label product range. We also commenced the disclosure of nutritional information in our private label products, in line with international standards.

(Refer to page 59-66 for further information)

KPIs

- Recognised as the most valuable super market brand in Sri Lanka by Brand Finance PLC in 2019.
- Retail Brand "Keells" posted a steady improvement in its Store Equity Index.
- Fastest growing modern retailer in the country.
- Gained market share in the ice cream impulse range and maintained market leadership in the ice cream category.
- Maintain position as a leader in the beverages category.

What's Next

- Ongoing expansion of the non-CSD range

Strategic Objective 3: An Empowered Team

Manufacturing

Launched a 'core skills' programme across the sector, focusing on change management, coaching and soft skills among others. Ongoing focus on enhancing employee engagement and creating a conducive and safe work environment.

(Refer to page 52-56 for further information)

Retail

Keells Retail Academy Online was launched during the year enabling employees to undergo training at their convenience and flexibility. We also standardised the staff boarding facilities, detailing the amenities that should be offered to all employees across locations.

Launched a "Core Skills" programme across the sector to improve capabilities of middle management.

(Refer to page 52-56 for further information)

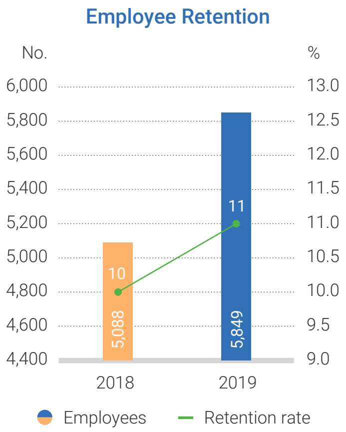
Resources Allocated

Rs. 5,306 million
Total payments to employees

Rs. 47 million
Investment in training

6,381
New recruits

KPIs



11 %
Employee retention rate

5,849
Number of employees

What's Next

- Roll out the Living Values programme across the organisation to drive cultural cohesiveness
- Ongoing focus on developing leadership and management capabilities

Strategy in Action

Strategic Objective 4: Value Chain Development

Manufacturing

In manufacturing we deployed 3,000 freezers and 1,100 coolers, revised our incentive schemes to enhance secondary sales and increased the outlet network in which our products are available. We also continued to invest in distributor capacity building and technical know-how. Resources were also deployed towards supporting distributor's financial sustainability given the weak market conditions. We also continued to work with over 5,500 farmers through whom we source local ingredients.

(Refer to page 59-66 for further information)

Retail

Expanded the network of collection centres for fresh fruits and vegetables by adding a new centre in Keppetipola during the year. We also upgraded the centre in Sooriyawewa. We continue to work with our private label manufacturers in ensuring high quality products, conducting audits and capacity building programmes on an ongoing basis.

(Refer to page 59-66 for further information)

Resources Allocated

Rs. 56,118 million
Payments to suppliers

3,000
Freezers deployed in the market

1,100
Coolers deployed in the market

KPIs

12
Farmers obtained GMP certification

60
Farmers obtained GAP certification

What's Next

- Further improve the quality of fresh fruits and vegetables sourced
- Channel sales programmes to drive aggressive sales growth in the frozen confectionery category
- Further deployment of freezers and coolers

Strategic Objective 5: Sustainability and Socially Responsible Organisation

Manufacturing

Sustainable manufacturing methods at the new ice cream factory including energy efficient technology and responsible waste disposable. Ongoing investment in CSR activities in the communities we operate in and creation of value to farmers and other suppliers through whom we source ingredients and raw materials.

(Refer to page 59-71 for further information)

Retail

During the year Solar panels were installed at 41 retail outlets. We also, support the JKH Group's plastic recycling programme, Plasticycle and encourage customers to reduce the use of polythene bags.

(Refer to page 59-71 for further information)

Resources Allocated

Rs. 486 million
Investment in green technology

Rs. 26 million
Investment in CSR

Rs. 3,002 million
Payments to farmers

KPIs

237,780 GJ
Energy consumption

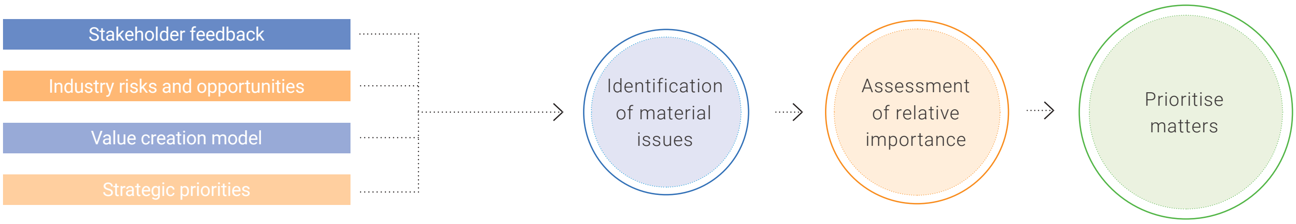
40,358 tCO_2e
Carbon footprint

What's Next

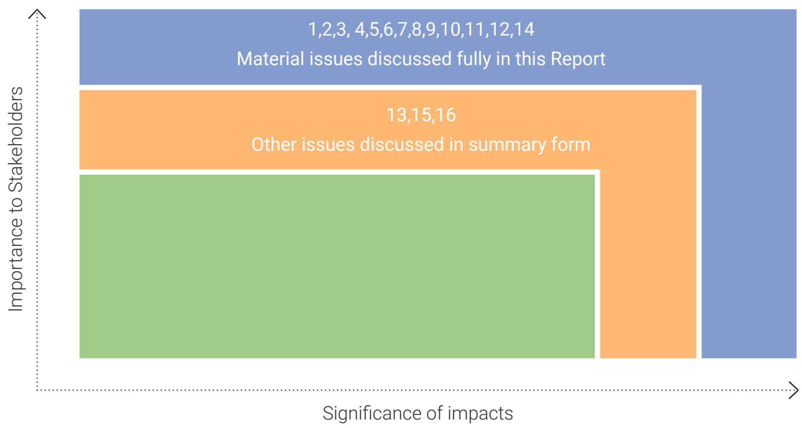
- Reduce dependence on fossil fuels through investing in solar power

Material Matters

Material topics are defined as those issues which are most relevant to our stakeholders and could significantly impact our ability to create value. These issues direct the Group's strategy, provide a strong foundation for risk management and form the anchor for the Group's Integrated Annual Report. Our materiality assessment follows ongoing dialogue with our stakeholders, critical assessment of our value creation model as well as emerging risks and opportunities in the operating landscape. The relative materiality of each issue is determined by combining the importance to stakeholders and the significance of the economic, social and environmental impacts.



The following 16 factors are regarded as the most critical to our business. We have clearly demonstrated how our selected material topics correspond to the topics recommended by the GRI standards on sustainability reporting. Certain factors have increased in importance and/or potential impact in comparison to last year as demonstrated below.



Material Topics for 2018/19

Consumer preferences → Sustainability considerations → Government policy

Earnings growth	Fulfilling the customer promise	Empowered team	Value chain development	Responsible organisation
1. Market leadership	5. Value for money with quality products	3. Talent attraction and retention	11. Efficient distribution network	13. Community infrastructure
2. Financial performance	6. Product labelling and marketing communications	4. Employee health and safety	12. Sustainable and ethical procurement practices	14. Compliance and good governance
7. Market reach	8. Customer health and safety			15. Reduce carbon footprint
	9. Best in class customer service-retail			16. Managing natural inputs and outputs
	10. Innovation			

Customer experience ← Digital revolution

Material Matters

No	Material Aspect	Materiality compared to last year	Corresponding GRI Topic and Sustainable Development Goal
1	Market leadership	-	
2	Managing financial performance *The challenging macro-economic conditions have compelled the Group to pursue productivity drives and manufacturing efficiencies in a bid to preserve profitability.*	↑	Economic performance:201-1,201-3
3	Talent attraction and retention	-	Employment:401-1 Diversity and equal opportunity:405-1 Training and education:404-1,404-2,404-3 Labour Management relations: 402-1
4	Employee health and safety	-	Occupational health and safety: 403-2,403-4
5	Providing value for money with quality products *The escalation in excise duty resulted in higher prices to customers across our beverage portfolio. In order to stem the decline in demand, it is imperative to enhance the customer value proposition by providing value for money.*	↑	
6	Product Labelling and market communication compliance	↑	Marketing and Labeling:417-1,417-2,417-3
7	Market reach *Strategic emphasis was placed on driving increased penetration in both the Retail and Manufacturing segments through expanding our geographical reach.*	↑	
8	Customer health and safety	-	Customer health and safety:416-1,416-2
9	Provide best in class customer service in retail	-	
10	Innovation to promote health, nutrition and lifestyle changes *We continue to place focus on leveraging our research capabilities to drive innovation and product development, given the clear shift in customer preferences towards healthy and natural beverages.*	↑	
11	Efficient distributor network	-	
12	Sustainable and ethical procurement practices	-	Procurement practices:204-1
13	Developing livelihoods through improving community infrastructure	-	Local communities: 413-1 Indirect economic impacts: 203-1,203-2
14	Compliance and good governance	-	Compliance: 307-1 Socio economic compliance:419-1
15	Reduce carbon footprint	-	Emissions: 305-1,305-2,305-3,305-4,305-5,305-6,305-7
16	Managing natural inputs and outputs	-	Raw materials: 301-1 Water:303-1,303-2,303-3 Energy: 302-1,302-2,302-3,302-4 Waste and effluents:306-1,306-2.,

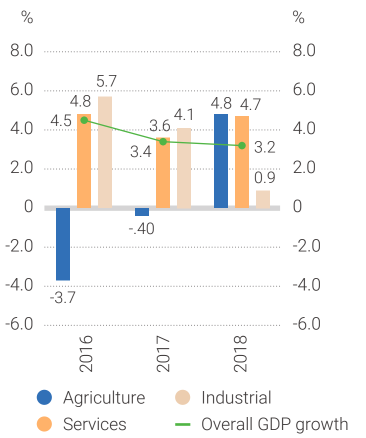
Economic and Industry Environment

During the year Sri Lanka's household consumption expenditure was subdued, growing marginally by 2.3% due to weak consumer confidence, higher interest rates for most part of the year and depreciation of the exchange rate.

Economic growth

Sri Lanka's GDP growth moderated to 3.2% in 2018 (from 3.4% in 2017) reflecting cascading effects of global dynamics, rising commodity prices including oil, subdued investor and consumer sentiments and political instability towards the latter part of the year. The Agriculture sector rebounded after several years of lacklustre growth to expand by 4.8% following favourable weather conditions and a particularly strong Yala season. The Services sector which accounted for 59% of GDP grew by 4.7% during the year supported by broad-based expansion of several sub-sectors including financial services and telecommunications. The Accommodation, food and beverage serving sub-sector grew by 5.5% while Wholesale and Retail trade grew by 5.0% in 2018. Meanwhile the Industrial sector growth was disappointing at 0.9% during the year, primarily due to a subdued construction sector.

Economic Growth

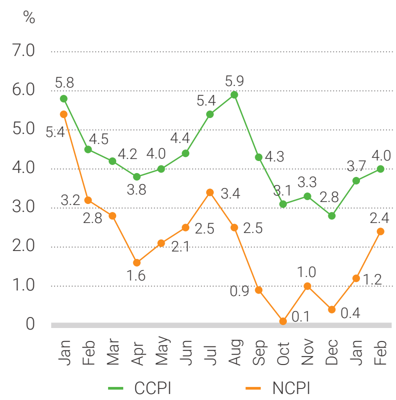


Source: CBSL

Inflation

The Central Bank signalled a relaxation of the tight monetary policy adopted since end 2015, by reducing the upper bounds of the policy rates in April 2018. Persistent deficits of rupee liquidity in the domestic money market led to the Central Bank to reduce the Statutory Reserve Ratio (SRR) applicable on all rupee deposits of commercial banks in November 2018, while increasing policy interest rates to neutralise the impact on interest rates. This approach was adopted with the objective of stabilising inflation at mid-single digit levels and anchoring inflation expectations to enable the economy to reach its potential in the medium term.

Inflation - 2018



Source: Dept. of Census and Statistics

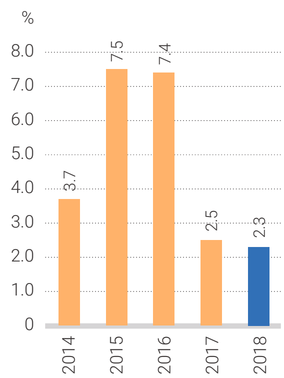
Exchange rate

The Sri Lankan rupee recorded sharp depreciation against the US Dollar, falling by 18% in 2018 to end the year at Rs.180.1 as at end-December 2018. The continued tightening of monetary policy in the US with several rate hikes during the year led to a strengthening of the US dollar, with most regional currency depreciating against the greenback. The Central Bank largely allowed demand and supply forces to determine the level and direction of the exchange rate of the rupee in the foreign exchange market, intervening only to prevent disorderly adjustments.

Consumer spending

Performance of the FMCG (fast moving consumer goods) segment is directly linked to household consumption patterns. During the year Sri Lanka's household consumption expenditure was subdued, growing marginally by 2.3% due to weak consumer confidence, higher interest rates for most part of the year and depreciation of the exchange rate. Over the longer- term however, a growing urban middle class, rising disposable incomes and increasing customer sophistication is expected to drive household consumption expenditure. Sri Lanka continues to be a consumption-driven economy, contributing nearly 75% to GDP.

Household Consumption Expenditure



Source: Dept. of Census and Statistics

Modern trade grew by **8.7%***

Ice cream was one of the few categories to record growth in the FMCG sector**

CSD volumes declined by **25%** in 2018

**Nielsens   **LMRB*

Operational Review

Manufacturing

The Manufacturing Segment's performance was adversely affected by a sharp drop in volumes in the beverage category following the imposition of the sugar tax coupled with weak consumer sentiments. This was however, countered by the strong performance of the frozen confectionery category resulting in the segment's revenue increasing by 1% during the year, while profit amounted to Rs. 1,096 million compared to Rs. 1,598 million in the previous year.

Achievements 2018/19

- Maintained the market leadership position in frozen confectionery category
- Beverage Brand of the Year-SLIM Neilsen People's Awards 2019 (Elephant House Cream Soda)
- Grew market share in impulse ice cream category
- Entered the flavoured milk and bottled water categories

Risks and Challenges 2018/19

- Regulations on sugar content of beverages
- Frequent changes in product labelling regulations
- Evolving consumer preferences
- Increasing competition in the frozen confectionery category

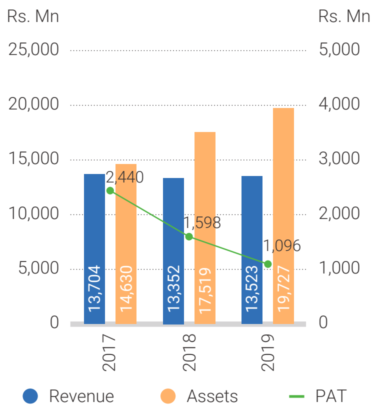
Way Forward

- Further expansion of the non-CSD beverages range
- Increase penetration through the modern trade channel
- Capacity expansion in bottled water
- In ice cream, ongoing expansion of the distribution network
- Further expansion of the product portfolio.

Contribution to Group

	%
Revenue	23
Profit after tax	84
Assets	53
Employees	19
Carbon footprint	32

Manufacturing - Performance



Capital value addition

- CAPEX: Rs. 1,740 million
- Manufacturing efficiency drive
- 100% increase in production capacity of impulse ice cream

- Employee value creation: Rs. 2,291 million
- Investment in training: Rs. 30 million

- Payments to suppliers: Rs. 10,129 million
- Distribution of over 3,000 freezers, 1,100 coolers

- Launch of 08 new ice cream flavours
- Expansion of non-CSD beverages
- Product reformulations to drive sugar reduction in beverages

- Energy intensity: 952 (GJ per million litres)
- Water intensity: 5.1 (Litres per litre)
- Carbon intensity: 152 (tCO_2e per million litres)

Beverages

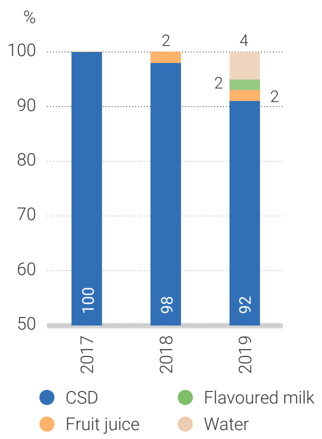
Challenging operating conditions

The imposition of the sugar tax and the resultant escalation in the prices of CSDs continued to affect the beverages category which saw industry volumes declining by over 25% during the year. This was further compounded by subdued consumer sentiments and the downturn in the FMCG sector in 2018. The sharp escalation in prices had led to consumers exiting the CSD category; however, following the subsequent reduction of the tax during the latter part of the financial year the Company intends to regain lost volumes through competitive pricing, aggressive promotions and expansion of the modern trade channel over the short to medium term.

Portfolio expansion

In responding to increasing customer propensity towards healthier beverage options, the Company placed strategic emphasis on expanding its non-CSD product range. Accordingly, we entered the bottled water and flavoured milk categories under the Elephant House brand for which the initial response has been extremely encouraging. Following the expansion of the non-CSD range the Company's beverages portfolio is now balanced and diverse. We also launched 5 sugar-free variants for our CSD products and despite the initial enthusiasm, all 3 major players including CCS have failed to gain traction among consumers for this range. The Company continues to leverage on it's R&D capabilities in reformulating products to reduce its sugar content.

Beverages Portfolio - Volume Split



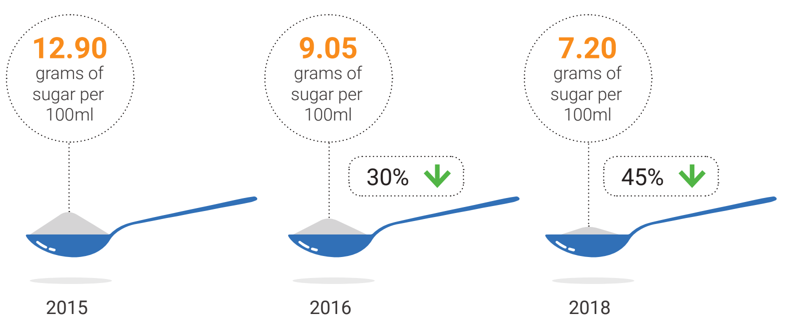
Over the past 3 years, we have reduced the calorie count of nearly 80% of the CSD range by 45% by substituting calorific sugar with natural sweeteners.

Driving operational efficiencies

Driving process and productivity improvements to enhance efficiency, optimise costs and reduce energy consumption was a key priority and during the year we made considerable progress in this front. These measures also contributed towards reducing the energy intensity in the beverage manufacturing category during the year. Key initiatives include the following;

- The adoption of SMED technology in the PET line has enabled the reduction of change over time by 75 minutes.
- Syrup yield improvement through filler timing modifications, reducing low filling, improving chiller performance and through start up and end optimizations.
- CO_2 yield improvement through modification of CO_2 valve, shifting pressure optimization, filler timing adjustments, optimizing bowl pressure and intermix variables.
- Reduction of the blowing pressure of the PET packs from 35 to 28 bars has enabled the reduction of energy consumption in the blow molding machine.
- Installation of a dissolved oxygen sensor in the aerator tank which has reduced energy consumption.
- Conversion of the long neck in PET bottles to short neck.

Sugar Reduction



Average sugar content of main five flavours

Strategic Priorities

- Consolidating position in CSD following sharp decline in industry volumes
- Expansion of non-CSD portfolio
- Ensuring distributor sustainability in tough market conditions
- Driving manufacturing efficiencies

Supporting our value chain partners

The tough operating environment during the year had a direct impact on the viability and financial performance of our distributors. We adopted several measures to ensure that the commercial sustainability of our distributors including additional incentive schemes, financial support and capacity development. The Distributor Management System (DMS) played a vital role in ensuring the effective deployment of our sales force and during the year we demarcated and defined specific routes across the island to ensure maximum utilisation of resources. Advanced technology is being utilised to monitor and evaluate the redistribution of products and Company-owned coolers deployed in the market are now being monitored through a dedicated system called 'Asset Eye'. The Company also continues to support the livelihoods of farming communities in several districts across the island through the procurement of Ginger, Vanilla and several other ingredients. (refer to page 62-64 for further information).

Operational Review

Frozen Confectionery

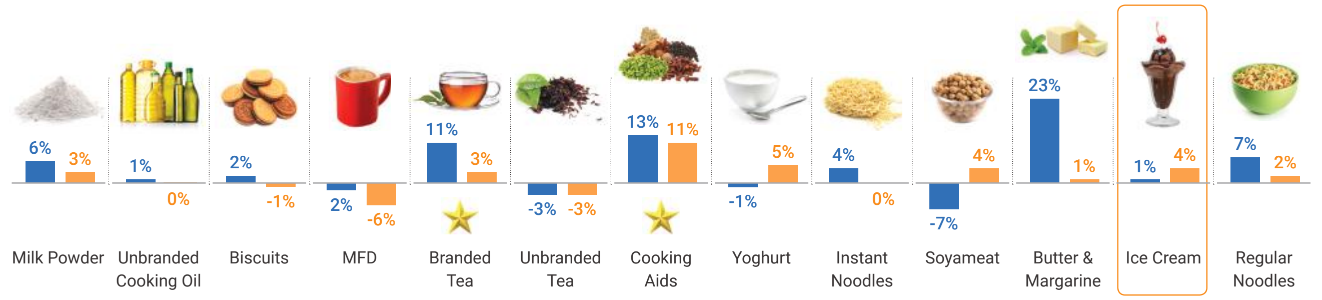
Strategic Priorities

- Gaining market share in the ice cream impulse range through the launch of several new products
- Strengthening distribution capabilities
- Aggressive marketing and promotions

Frozen confectionery emerged as one of the few segments in the Food and Beverage category which demonstrated an expansion in 2018 (LMRB, 2018) and given Sri Lanka's relatively low household penetration the category shows strong growth potential. Against this backdrop, CCS's frozen confectionery category performed exceptionally well achieving volume growth of over 10% during the year and gaining market share in the rapidly expanding impulse segment. A key strategy for 2018/19 was delivering a superior product to the customer at an affordable price and during the year we reduced the pricing of several key products.

Volume Growth/Decline

Source: LMRB



Strong growth in impulse range

The key achievement for the category in 2018/19 was the successful commissioning of the Group's state-of-the-art impulse-ice cream manufacturing facility in Awissawella BOI zone. Constructed at an investment of Rs.4.2 billion the factory is the largest of its kind in Sri Lanka and the most modern in South Asia and features advanced technology and high levels of automation. The new factory has enabled a near doubling of impulse capacity, positioning CCS to capitalise on the rapid expansion of this segment. Economies of scale and advanced manufacturing capabilities have resulted in improved margins. Meanwhile CCS commenced the manufacturing of cones during the year, which allowed for a further reduction in prices given the cost advantage compared to relying on imported cones.

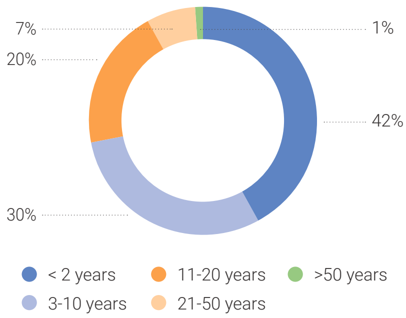
The segment also launched 6 exciting new flavours in the impulse range including the most affordable water ice in the market and the new 'berry range' in both sticks and cones. We also continued to drive increased penetration and engage customers through a range of innovative promotional campaigns; these included the "Professor Yahaguna" campaign which showcased the quality standards in our new factory and 'Fun Eke Next Level Eka' which was designed to drive demand of the wonder range including the newly introduced stick and cone verities.

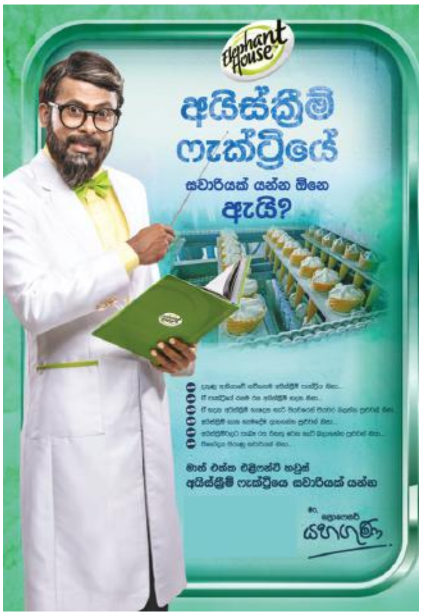
Empowering our value chain

Despite the challenging landscape, we continued to widen our network of distributors with the addition of 34 new distributors during the year. CCS provides a holistic value proposition to its distributors which includes attractive incentive schemes, guidance on the selection of cold chain vehicles, assistance in financing cold storages and sharing of market insights among others. During the year we placed strategic emphasis on driving sales across the retail network by expanding our outlet reach, incentivising sales staff and deploying over 3,000 freezers in the market at an investment of over Rs. 300 million. We also support our shop owners to increase freezer capacity arranging a partnership with Singer Sri Lanka. Our products are now sold through an island-wide network of over 35,000 retail outlets and around 450 three-wheeler units which make up our mobile distribution.

Accordingly, we procure vanilla, treacle, cashew and jaggery from an island-wide network of over 2,700 farmers and during the year injected Rs. 165 million to the rural economy (please refer to page 63 for further information).

Tenure of Distributor Relationships





Way Forward

The prevalent security concerns post Easter Sunday attacks will understandably insert some pressure on our short-to-medium term growth prospects given market uncertainty, weak consumer sentiments, impact to the tourism industry and moderation of economic growth. While it is currently premature to predict or quantify the exact impact of these events, we remain optimistic regarding the long-term growth prospects of both categories particularly given that Sri Lanka's per capita consumption of soft drinks and ice creams is still low in comparison to regional developed economies. In beverages we see potential in the non-CSD sector and will continue to expand our product portfolio while consolidating our position in the CSD category. In frozen confectionery, the Group's strong brand equity, expanding range of exciting flavours, extensive reach and unmatched manufacturing capabilities are expected to augur well for CCS, further sharpening its competitive edge and enabling it to sustain its market leadership position.

Operational Review

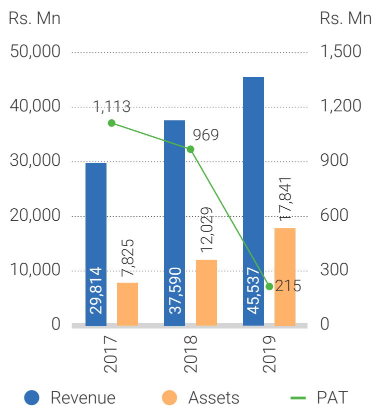
Retail

The Retail segment's network expansion and the resultant increase in market share led to a 21% growth in revenue during the year, reflecting the increasing popularity of our supermarkets. Same store sales growth was marginal at 2% reflecting subdued consumer sentiments, tighter liquidity conditions and the overall moderation in economic growth. Accordingly, despite an increase in customer footfall the average bill value contracted by 4% during the year, thereby impacting the segment's profitability margins.

Contribution to Group

	%
Revenue	77
Profit after tax	16
Assets	47
Employees	81
Carbon footprint	68

Retail- Performance



Achievements 2018/19

- Recognised as the most valuable super market brand in Sri Lanka by Brand Finance PLC in 2019.
- Completed the brand transformation across the entire network
- Enhanced customer experience through adding Prepared Food options
- Increased market share in the modern trade industry
- Opened 18 new outlets during the year
- Widened the private label product portfolio
- 41 outlets powered by solar

Risks and Challenges 2018/19

- Decrease in consumer spending amid subdued economic conditions
- Increasing competition from the entry of new competitors
- Ensuring service consistency and product quality
- Retention of staff

Way Forward

- Accelerated expansion of outlets
- Strengthen the supply chain for fresh fruits and vegetables
- Widen product portfolio by constant innovation, special in fresh

Strategic Priorities

- Geographic expansion
- Brand transformation
- Strengthening the supply chain
- Expanding private label products

Capital value addition

- CAPEX: Rs. 4,844 million
- Opening of 18 new outlets
- Investment in modern Warehouse Management System

- Employee value creation: Rs. 3,015 million
- Investment in training: Rs. 17 million

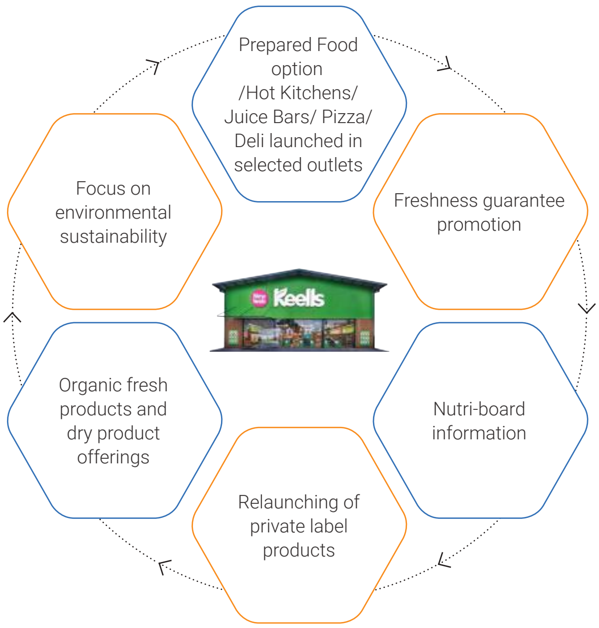
- Payments to suppliers: Rs. 45,989 million
- Training programme for farmers: 47
- Payments to private label manufacturers: Rs. 1,680 million

- Completed brand transformation of all outlets

- Energy intensity: 0.171 (GJ per square foot)
- Water intensity: 0.213 (Litres per square foot)
- Carbon intensity: 29.89 (tCO_2e per square foot)

Brand transformation

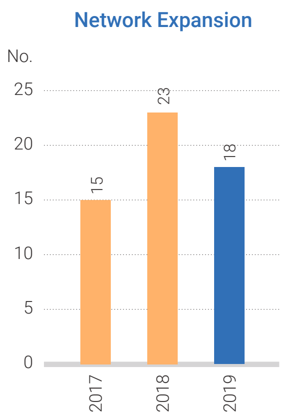
A key achievement for the year was the completion of the segment's rebranding initiative which saw all outlets being converted to the new "Keells" brand by October 2018. Built on the attributes of innovation, freshness and customer experience the new branding has redefined industry standards in Sri Lanka's modern trade segment. By October 2018, 67 outlets were converted, with emphasis on enhancing the overall customer experience through improvements in design and construction as well as hygiene, cleanliness, temperature and lighting. The end-to-end transformation was a holistic one, extending beyond the outlets to encompass the segment's collection centres, private label products, training academy and customer communication among others.



The brand transformation has already shown extremely encouraging results with market share widening to 31% (from 28% the previous year) and top of mind awareness and store equity also increasing during the year under review.

Geographical expansion

We continued the aggressive expansion of our network during the year with the addition of 18 stores thereby bringing the total count to 96 by March 2019. We also pursued expansion in key outstation locations such as Embilipitiya, Wennappuwa ,Bandaragama , Chillaw and Eheliyagoda, delivering a superior retail experience to communities in these localities. We sought to optimise positioning of our network, with 2 outlets been closed during the year. Given the relatively low penetration of modern trade in Sri Lanka we see further potential for growth and intend to pursue continued expansion of the network in 2019/20.



Private label products

We also rebranded our entire private label product portfolio during the year and refined our range to include three distinct tiers (good, better and best) catering to varying consumer needs. We added 71 new products to the portfolio during the year, thereby bringing the total to 288. Having recognised consumers' increasing propensity towards health and wellness we voluntarily display nutritional information on our private label products, in line with international standards. Stringent quality standards are applied to all private label manufacturers, which include internal audits, facility visits, sensory evaluations and capacity building programmes. We also require our partners to comply with either SLSI or GMP standards. The rebranding drive and portfolio expansion have come to fruition with the private label products increasing its relative contribution to store revenue to 6.5% from 4.5% the year before. During the year we have paid Rs. 1,680 million to private label suppliers.

Operational Review

Retail

2,563
Farmers

11
Districts

Rs. 2,797 million
Payments to farmers

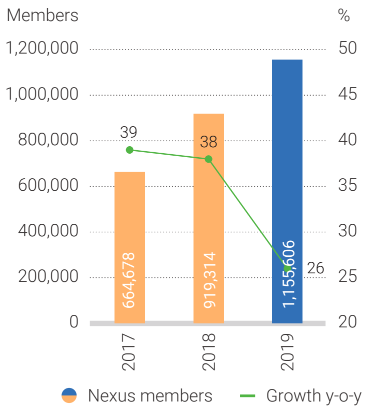
Value creation across the supply chain

Following the expansion of our network we also widened the farmer base through whom we procure fresh produce; accordingly, we supported the livelihoods of 2,563 farmers through purchases of Rs. 2,797 million during the year. We also opened a new collection centre in Keppetipola for fruits and vegetables bringing the total number of centres to 10 and invested in upgrading our collection centre in Sooriyawewa. Our value proposition to farmers include the ongoing provision of technical knowledge, including the training necessary to obtain the GAP (Good Agricultural Practices) certification and propagation of good environmental practices aimed at improving the quality, quantity and sustainability of production. During the year, we conducted 47 training programmes for farmers.

The Company also launched a sophisticated Warehouse Management System at a total investment of Rs. 360 million. The first of its kind in Sri Lanka. The system has facilitated substantial operating efficiencies, enabling the handling of much larger volumes.

Customer Locality Programme

Growth in Nexus Members



JMSL's loyalty programme, Nexus Mobile marked a key milestone during the year, crossing the 1.2 million membership base by March 2019 and further cementing its position as one of the largest loyalty card bases in the country. The total volume and value of Nexus transactions grew during the year and contributed nearly 90% to our total sales. While enabling us to strengthen our value proposition through special offers, discounts and promotions the platform has also facilitated the collection of valuable data on customer behaviour, providing inputs in further improving our promotions and product propositions.

Keells Retail Academy Online

A key achievement during the year was the launch of the Keells Retail Academy Online through which JMSL sought to digitise its learning and development function. This unique learning platform enables users to access training material at their convenience. The system also encourages collaborative learning and features a range of tools including monitoring and evaluation of training, gamification, discussion forums, quizzes and much more.

Way Forward

We are aware that the prevalent security situation post Easter Sunday attacks is likely to impact the economy over the short-to-medium term due to subdued consumer sentiments, restricted mobility arising from heightened security concerns, impact to the tourism industry and the anticipated moderation in economic growth. Despite these short-term pressures, we remain optimistic regarding the long-term growth potential of the modern trade industry underpinned by the increase in disposable income, rising consumerism and a growing middle class. We will continue to pursue accelerated expansion of our network across the island and key priorities for 2019/20 include strengthening the supply chain of fresh fruit and vegetables, widening our product offering and driving operational efficiencies. We will also pursue ways of minimising the adverse environmental impacts of our operations through increasing our reliance on renewable energy and driving reductions in the use of polythene.

Capital Management

Financial Capital

The Group's Financial Capital consists of the pool of funds available for its utilisation including shareholders' equity, cash generated from operations and borrowings. These financial resources are vital in funding our ambitious growth plans, driving our strategic aspirations and creating sustainable value for all our stakeholders

Rs. 13,361 million
Equity

Rs. 2,943 million
Borrowings

Rs. 2,039 million
Equity

Rs. 8,085 million
Borrowings

Nurturing our Financial Capital

What we did	Impact
Invested Rs. 6,584 million in expanding our network in the Retail segment and capacity expansions in Manufacturing	21% revenue growth in Retail Increase in market share of the impulse-range ice cream category
Increased borrowings to fund capital expansions	Increase in borrowing costs (interest) to Rs. 647 million (from Rs. 32 million in 2017/18)

Linkages and trade-offs with other capitals

- Investments in Manufactured Capital have necessitated increased exposure to borrowings

- Total payments to employees increased by 23% as we continued to enhance the employee value proposition

- Rs. 41 million in investment in research and development

- Rs. 56,118 million payments to suppliers

Capital Management

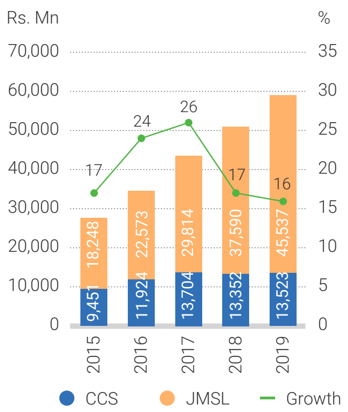
Financial Capital

Financial Performance

Revenue

Consolidated revenue increased by 16% to Rs. 59.06 billion during the year under review, upheld by a 21% top line growth in the Retail segment while the Manufacturing segment's top line growth was relatively low at 1%. Growth in Retail segment stemmed from the addition of 18 new outlets to the Group's expanding network and an increase in market share given the JMSL's strategic focus on enhancing the customer value proposition. The Retail sector's contribution to the Group's top line has continued to increase, accounting for 77% of consolidated revenue. In Manufacturing, the prolonged effects of the sugar tax implemented last year continued to impact the beverages category which recorded a 25% decline in volume during the year. However, this was offset by strong volume growth in the frozen confectionery category following the commissioning of the new impulse ice cream factory which enabled us to introduce several new flavours and capture market share in this growing sector.

Revenue Growth Trends



Gross Profit

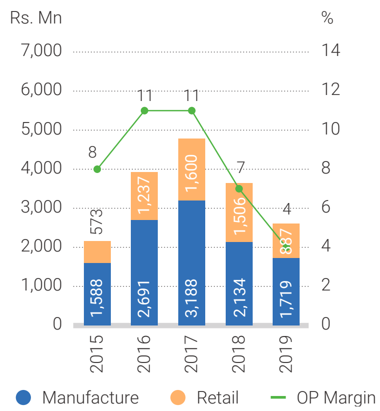
The Group's gross margin narrowed from 12% last year to 10% in 2018/19 reflecting higher import costs resulting from the sharp depreciation of the Rupee as well as inflationary pressures and increasing price consciousness of customers. Meanwhile other income increased by 10% to Rs. 1.71 billion.

Operating Profit

Consolidated operating expenses grew by 29% to Rs. 5.24 billion during the year, mainly due to the costs associated with outlet rebranding and store expansion in the Retail segment and the commissioning of the new impulse ice cream factory in the Manufacturing segment. As such, administrative expenses and selling and distribution expenses increased by a respective 18% and 34% during the year under review. Other operating expenses grew by 41% reflecting an increase in National Building Tax and loss on disposal of property, plant and equipment.

Consolidated operating profit declined by 28% to Rs. 2.61 billion stemming from both the Manufacturing (-19%) and Retail (-41%) segments. The sharp decline in the Retail segment's operating profit reflects one-off costs associated with the roll-out of the new brand which has now been completed across all outlets. Meanwhile in Manufacturing, the decline in profitability reflects the unfavourable market conditions and volume drop in the beverage category. Overall the Group's operating margin narrowed, from 7% last year to 4% in 2018/19.

Operating Profit Trends

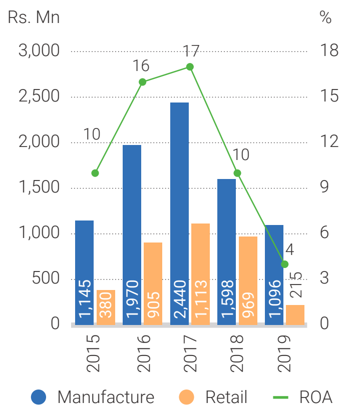


Net finance costs/income

Consolidated net finance costs for the year increased to Rs. 588 million (from a net income of Rs. 99 million in last year) further impacting the Group's profitability. The increase in interest expenses stemmed mainly from the Retail segment which recorded a near 14-fold increase and accounted for 67% of the Group's interest costs. This escalation reflects increased investments in working capital resulting from the higher operational activity of a larger network of outlets. In manufacturing, interest costs increased to Rs. 214 million from Rs. 0.7 million the year before, due to larger exposure to borrowings given investments in the new factory and the rising interest rates.

Profitability

Profit after Tax vs ROA



Narrower operating profit margins and the increase in interest expenses impinged on overall profitability and the Group's pre-tax profit declining by 46% to Rs. 2.04 billion during the year. The Group's tax contribution declined by 38% to Rs. 732 million reflecting the overall reduction in profits, while the effective tax rate clocked in at 36%. Meanwhile consolidated profit after tax also declined by 49% to Rs. 1.31 billion reflecting profit decreases in both Manufacturing (-31%) and Retail (-78%) segments. Resultantly, the Group's Return on assets declined to 3.90% from 9.87% the year before.

Cash flows

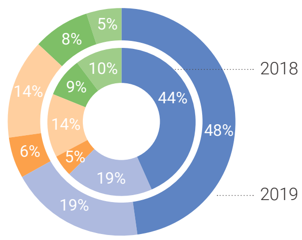
The Group's operational cash flows declined by 37% to 2.15 billion during the year, reflecting subdued market conditions and increased investment in working capital. Net cash outflows from investing activities amounted to Rs. 6.92 billion (compared to Rs. 5.66 billion the year before) primarily reflecting outlet expansion. An increase in the borrowings base together with the prevalent high interest rate scenario resulted in net cash outflow from financing activities amounting to Rs. 279 million compared to Rs. 762 million net inflow in previous year.

Financial Position

Balance sheet strength

The Group's balance sheet continued to expand recording asset growth of 27% to Rs. 37.57 billion in view of the growing network of retail outlets and capacity expansion in the Manufacturing segment. Accordingly, the Manufacturing and Retail segments recorded asset growth of 13% and 48% respectively during the year. The asset profile tilted towards the longer-term with property, plant and equipment accounting for 48% of total assets, from 44% the year before. Meanwhile non-current financial assets increased by 30% to Rs. 7.27 billion due to the fair value adjustment of the unquoted investment in the Waterfront Properties (Pvt) Ltd.

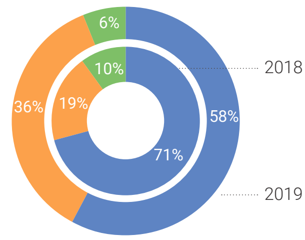
Asset Composition



Funding structure

The Group's exposure to borrowings increased as it pursued debt-funded capacity expansions which have afforded it a strong platform for medium to long-term growth. Total debt increased by 99% to Rs. 11.03 billion stemming primarily from the Retail segment which accounted for 73% of total borrowings as at end-March 2019. There was a corresponding increase in the gearing ratio to 42% from 29% the year before. Despite the increase in borrowings, the funding position is relatively healthy with equity funding 41% of total assets.

Funding Composition



Shareholder Returns

Despite a challenging operating landscape and costs associated with positioning the Group for future growth, CCS continued to deliver on its shareholder commitments during the year. Although profits declined in 2018/19 the Group paid a dividend of Rs. 15 per share (which is same as in last year) to its shareholders. The share price declined by 39% to close the year at Rs. 575 per share reflecting the overall downturn in the share market.

	2018/19	2017/18	Y-O-Y Change
Earnings per share - Rs.	13.79	27.01	(13.23)
Dividend per share - Rs.	15.00	15.00	-
Net asset value per share - Rs.	162.04	143.97	18.07
Share price (closing) - Rs.	575.00	950.00	(375)
Market capitalisation - Rs. million	54,648	90,288	(39%)
P/E ratio - No. of Times	41.70	35.17	6.53
Dividend yield - %	2.61	1.58	1.03

Capital Management

Manufactured Capital

The Group's Manufactured Capital consists of the buildings, machinery and equipment used in the manufacturing facilities which ensures the uninterrupted production of high-quality goods. In the Retail segment, the physical infrastructure of the supermarket network plays a key role in driving customer accessibility and determining the quality of the customer experience.

Rs. 8,072 million

Property, plant and equipment in Ranala and Seethawaka which produce beverages and frozen confectionery

Rs. 10,056 million

96 retail outlets

Information Systems and Digital infrastructure

Nurturing our Manufactured capital

What we did	Impact
Invested Rs. 4.2 billion in the construction of a state-of the-art impulse-range ice cream manufacturing factory	100% increase in impulse-range production capacity Manufacture of cones in the new factory has accrued a cost advantage compared to importing the cones
Geographical expansion of the retail network with the addition of 18 new outlets during the year	Total network of 96 branches in Retail 21% growth in revenue and increase in market share
Digital infrastructure such as SAP Extended Warehouse Management system, Distributor Management System and Asset Eye to monitor deployed coolers among others	Improved operational efficiency and effective deployment of distribution capabilities

Linkages and trade-offs with other capitals

- Pressure on financial capital in the short-term although these capital investments are expected to bring in significant earnings, strengthening financial capital in the medium to long-term

- 6,121 new recruits to the supermarket chain

- Facilitates new product development and widening of our product portfolio

- Stronger distribution channels to support the increase in volumes

- Increased energy and water usage and discharge of effluents and emissions
- Environmentally friendly manufacturing methods and solar powered retail outlets

Value Addition

Total capex for the year amounted to Rs. 6.6 billion comprising of Rs. 4.8 billion in the Retail Sector and Rs. 1.8 billion in the Manufacturing segment. Key investments included the following;

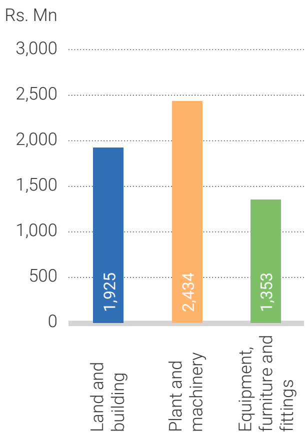
Retail Segment

- Opening of 18 outlets during the year
- Brand transformation across the network
- Investments in digital infrastructure such as SAP Extended Warehouse Management System
- New collection centre in Keppetipola and upgrade of the centre in Sooriyawewa

Manufacturing Segment

- Investments in the new state of the art impulse range ice cream factory in Seethawaka
- Provision of 3,000 freezers and 1,100 coolers across the dealer network

Capital Value Addition



Manufacturing Efficiency

Efficiency of our Manufactured capital is measured regularly through a range of indicators including Overall Equipment Efficiency (OEE), line utilisation, line efficiency as well as product yields and cost variances. Performance is evaluated and brought to the attention of the management at monthly meetings, enabling the identification of inefficiencies and constraints to production. We consistently strive to drive manufacturing efficiencies and cost optimisations and key areas of focus for 2018/19 included the following;

Initiative	Impact
The adoption of SMED technology in the PET line	Reduction of change over time by 75 minutes.
Syrup yield improvement through filler timing modifications reducing low filling, improving chiller performance and through start up and end optimizations.	Improvement in syrup yield
Modification of CO_2 valve, shifting pressure optimization, filler timing adjustments, optimizing bowl pressure and intermix variables in every line	Improvement in CO2 yield
Reduction of the blowing pressure of the PET packs from 35 to 28 bar	Reduction of energy consumption in the blow molding machine
Installation of a dissolved oxygen sensor in the aerator tank	Reduction in energy consumption

Digital Infrastructure

The Group's investments in strengthening its digital infrastructure during the year and comprised primarily of the following;

- Digitisation of the learning and development function of JMSL as Keells Retail Academy Online, providing access to training at the convenience and flexibility of the user. The system encourages collaborative learning and allows various features including monitoring and evaluation of trainings, gamification, discussion forums, quizzes and much more.
- State of the art warehouse management system in JMSL which has generated significant operational efficiencies.
- Asset Eye: A dedicated system used to monitor and evaluate the redistribution of products in the Company-owned coolers deployed in the market.

Way Forward

In 2019/20 key investments in manufactured capital will include the anticipated opening of 25 more retail outlets, ongoing investment in enhancing our digital capabilities and investments in refining and enhancing the manufacturing technology in our beverages and frozen confectionery categories.

The opening ceremony of The Colombo Ice Company (Pvt) Ltd

R&D Unit at the new Seethawaka Plant

Conveyor line at new Seethawaka Plant

Capital Management

Human Capital

Our team is the foundation of our business, providing unmatched customer service, driving innovation and ensuring the achievement of our strategic aspirations. We in turn seek to offer our employees a dynamic and challenging workplace that provides ample opportunities for career and skills development, while encouraging creativity and diversity.

1,098
Headcount

Rs. 2,291 million
Payments to employees

19,846
Training hours

4,751
Headcount

Rs. 3,015 million
Payments to employees

377,771
Training hours

Nurturing our Human capital

What we did	Impact
Recruited 6,381 new employees to support the expansion of the retail network and fill vacancies.	Total headcount of 5,849
Invested Rs. 47 million in training with focus on core skills training, leadership development and technical skills	Each employee receiving an average of 59 training hours during the year.
Revisions to the incentive schemes to ensure a sustainable income to our sales staff.	Total payments to employees increased by 23% to Rs. 5,306 million.

Linkages and trade-offs with other capitals

- Short-term pressure on financial capital arising from investments in training and development and enhanced remuneration schemes

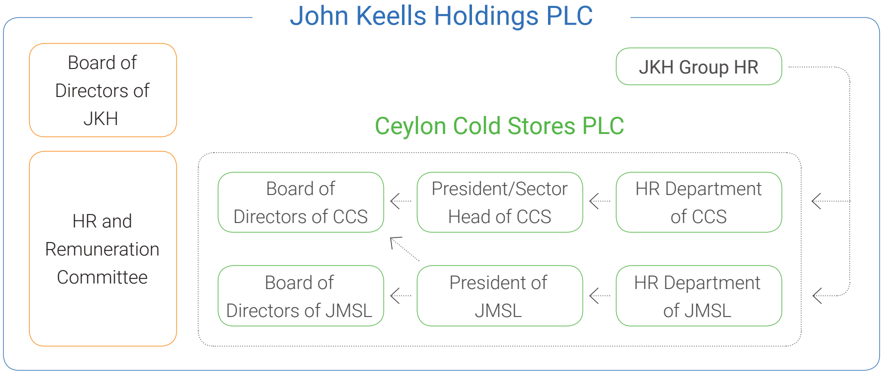
- Expansion of our manufactured capital necessitates an increase in our human capital, particularly across retail outlets

- Investment in training nurtures the Group's intellectual capital through enhancing organisational tacit knowledge

- Customer experience is facilitated by the skills and attitudes of our human capital- particularly in the Retail Sector

Management Approach

The Group's overarching approach to managing its human capital is articulated in its 'People Promises' which clearly define what all employees can expect from being employed in CCS Group and our long-term commitment to creating employee value. As part of the John Keells Holdings PLC, the Group's comprehensive HR policy framework and Code of Conduct is aligned to that of John Keells Holdings PLC. 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 given below.



Our People Promises (Manufacturing)

1. Supervisor who supports and encourages
2. Trust, respect, and care for each other
3. Exciting and rewarding jobs
4. Help colleagues to grow and develop
5. Everyone's ideas and opinions matter

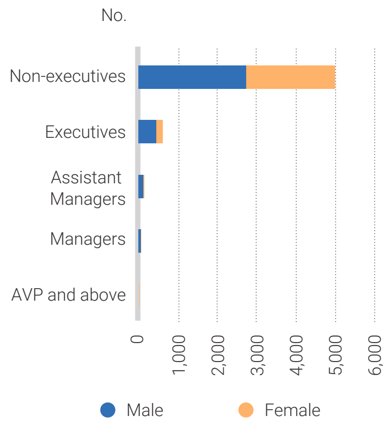
Our People Promises (Retail)

1. A boss that teaches me
2. Treated with trust and respect
3. Fair reward
4. I can grow and develop
5. My ideas matter

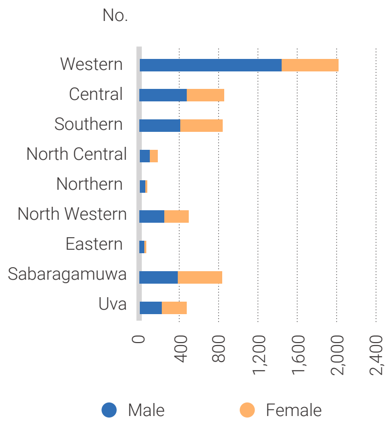
Team profile

The Group's value creation is driven by a team of 5,849 employees who are spread across our manufacturing facilities, retail outlets, distribution network and corporate office. Our unique employee value proposition which includes strong HR practices and opportunities for skill and career development has enabled us to build a strong employer brand. In line with our growing network of retail outlets we added 6,121 employees to the Retail Sector and strengthened our recruitment processes to ensure stronger engagement with potential employees. The headcount in the Manufacturing segment increased in line with the commissioning of the new impulse ice cream factory.

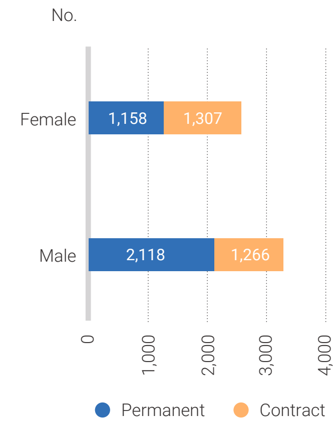
Team by Category and Gender



Team by Region and Gender



Team by Contract and Gender

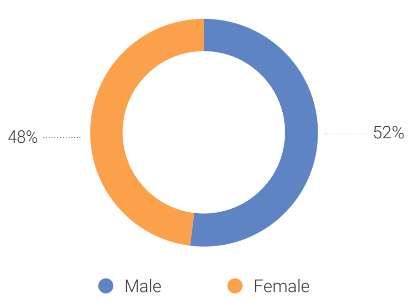


Capital Management

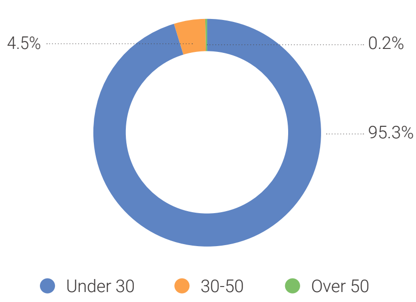
Human Capital

Profile of new recruits

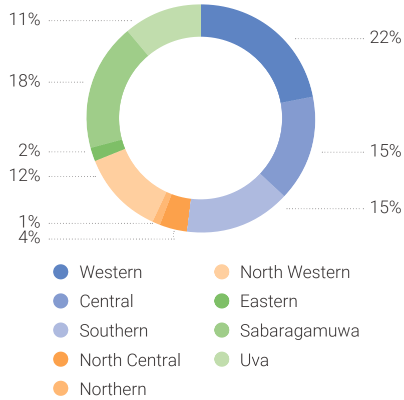
New Recruits by Gender



New Recruits by Age



New Recruits by Region



Key areas of focus in 2018/19

The Group's human capital activities for the year centred on three main priorities as discussed below;

Employee Engagement

In addition to the numerous employee engagement mechanisms in place, CCS launched a quarterly employee satisfaction survey with the objective of evaluating progress against the People promises. The survey is administered to 25% of employees every quarter, thereby achieving 100% coverage over the full year. The GPTW (Great Place To Work) survey is also conducted once in two years. Other mechanisms in place which ensure a high level of engagement include performance appraisals, a year-round event calendar and an open-door policy which guarantees two-way communication. In the Manufacturing segment, employees are also given the opportunity to engage directly with the Sector Head through a townhall meeting on a quarterly basis.

Living Values Programme

The Living Values are cascaded from John Keells Holdings PLC and embodies the values the Group wishes to inculcate in its organisational culture. Having customised and refined these values to suit our industry, in 2018/9 we carried out proactive employee engagement programmes to raise awareness among employees.

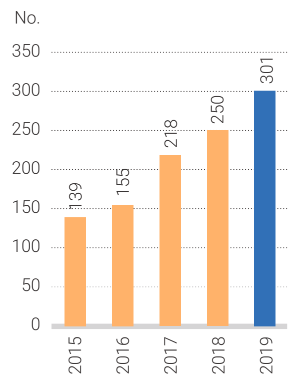
Training and Development

Core Skills Training: The Manufacturing segment launched a 'Core Skills Training' initiative during the year, with the objective of nurturing values such as speed, innovation and excellence as a central part of the organisational culture. The leadership team was engaged in identifying six core skills that would be critical in achieving the Company's strategic aspirations and in the long-term embody the essence of 'our way of working'. The training programme was led by the leadership team who conducted training for all managerial level employees who in turn shared the knowledge across the entire organisation.

Keells Retail Academy Online: During the year, JMSL sought to digitise its learning and development function through the launch of Keells Retail Academy Online, a learning management platform enabling users to access training material at their convenience. The system also encourages collaborative learning and features a range of tools including monitoring and evaluation of trainings, gamification, discussion forums, quizzes and much more.

Through the Retail Academy, trainees are provided a comprehensive 12-month course on all operational aspects in the retail industry through lectures, workshops and practical training. The course is accredited by NAITA and NVQ and supports the skill development and life-long learning of its young trainees.

Graduates of the Retail Academy



Upon completion of the course, trainees are absorbed to our supermarket cadre and have the opportunity of progressing to manager-grade through a fast-track development programme. Since inception in 2006, the Academy has successfully trained over 2,000 individuals. During the year under review, 301 students graduated from the programme.

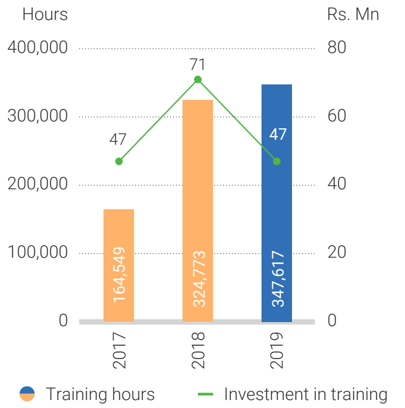
In addition to the above, the Group continued to support talent development through structured programmes, on the job training and a culture of mentoring. Total investment in training amounted to Rs. 47 million during the year. Training programmes carried out during the year are listed below;

Skill developed	Type of training programme
Soft Skills	Assessor Skills Training
	Business Writing for Professionals
	Decision Taking and Problem Solving
	Negotiation Skills
	Interpersonal Skills
Leadership Skills	Advanced Analytics ISA
	Corporate Management - JASTECA
	HBP Leadership Development Programme 2018
	PIM Manager Development Programme 2018
	SHINE: Development Programme
Sales and Marketing	Effective Selling with NLP
	Leadership Skills for Sales Leaders
	Coaching Skills Development Programme
	Product and KPI Training Programme
	OBT Training Programme
Technical	Dairy Management 21st Century
	Diploma in Quality Management
	Energy Efficient Air Conditioning System
	Energy Auditor Training 2019
	ISO 22000:2005
Others	Basic Occupational Health and Safety
	Core Skills Training
	Emergency Response in Ammonia Leakage
	Fire Fighting and Rescue
	Good Manufacturing Practices

Average training hours by category

	Head Count	Training Hrs	Training Hrs / per Head
AVP & above	24	447	19
Manager	67	2,087	31
Assistant Manager	144	3,888	27
Executive	619	11,394	18
Non Executive	4,995	329,801	66
Total	5,849	347,617	59

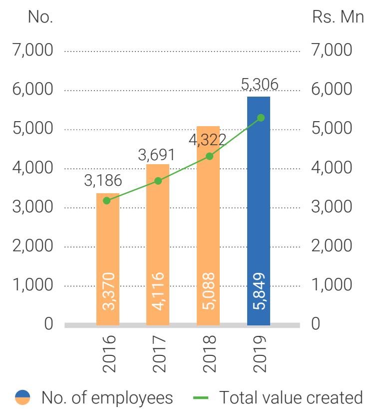
Training and Development



Remuneration and benefits

Rewards and opportunities for career progression are linked to the annual performance appraisal, which is carried out for 100% of our executive cadre. For unionised employees guaranteed pay is determined by collective agreements, which are negotiated every 3 years while variable pay is based on the performance of the individual and the Organisation as a whole. Other benefits provided to employees include attendance bonus, critical illness insurance, surgical and hospitalisation cover and productivity incentives among others. During the year we revised the incentive structures applicable to our distributor staff to ensure that their income was sustained, as the tough market conditions directly impacted their performance-based return.

Employee Value Creation



Capital Management

Human Capital

Health and Safety

We strive to provide a safe and injury-free working environment for all our employees, facilitated by a formalised occupational health and safety policy, active safety committees and compliance to health and safety certifications such as OHSAS 18001. The induction programme for new employees and contract workers include a session on safety while eye wash and shower units, spill kits, self-contained breathing apparatus and leak detection systems have been made available in appropriate locations. During the year, our employees underwent 866 training hours relating to health and safety.

	Male	Female	Total
Total number of occupational injuries and diseases	35	42	77
Total No. of lost days due to occupational injuries/ diseases	198	162	360
Health and safety training hours	121	745	866


Health and safety awareness programmes at CCS Ranala factory


Health and safety awareness programmes at CCS Ranala factory

Industrial relations

In 2018/19 we successfully negotiated and signed the collective agreement specifying remuneration, benefits, working conditions and health and safety aspects (among others) with the Sri Lanka Nidahas Sevaka Sangamaya, which represents 57% of our Manufacturing Ranala Plant employees. 43% are also represented by the Inter-Company Employees' Union. We maintained cordial relationships with the unions and there were no disruptions to work or lost days resulting from industrial disputes.

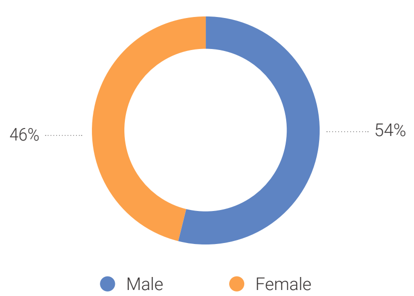
Retention

During the year retention of sales representative staff in the beverage category was a challenge due to the downturn in market conditions which directly impacted their incentives. In general the attrition of non-executive staff is high in both the retail and manufacturing sectors due to intense competition for young talent and high labour migration. Accordingly, the Group's employee turnover levels are skewed by the attrition of the non-executive staff and during the year where 4,860 employees left employment which translated to a turnover rate of 89%.

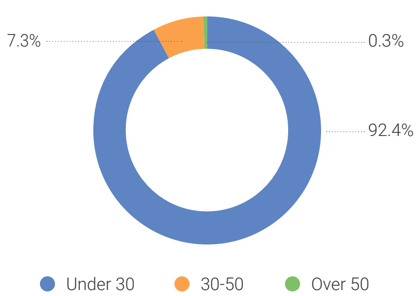
Way Forward

In 2019/20 we will focus on enhancing the capabilities of both the management and operational teams, with focus on leadership skills and operational excellence. We will also conduct numerous engagement initiatives targeted towards embedding the Living Values to our organisational culture, in line with the planned launch of the values in the 2nd quarter of 2019/20. Emphasis was also placed on strengthening our data analytical capabilities with the recruitment of several data scientists.

Staff Turnover by Gender



Staff Turnover by Age



Intellectual Capital

As a food and beverage manufacturer and retailer, CCS's ability to understand and respond to evolving customer preferences through developing exciting and relevant products has been a key factor in its continued success. The Group's intellectual capital is therefore a key source of competitive edge and represents its organisational tacit knowledge, portfolio of brands and extensive recipe library which have contributed towards the Group's market strength in both frozen confectionery and beverages.

Elephant House brand

Other brands (Fit O, Imorich)

Extensive recipe library

Dedicated R&D team

Our Intellectual Capital

'Keells' modern trade brand

Manufacturing | Retail

Nurturing our Intellectual capital

What we did	Impact
Rs. 41 million investment in research capabilities and new product development	Launched 8 new ice cream flavours and relaunched 3 flavoured milk variants 45% sugar reduction in the CSD range
Rebranding of 67 Keells retail outlets	Increase in market share and improved brand equity
Ongoing promotions and marketing campaigns in all categories	LMD Brands Annual - most valuable supermarkets (Retail) brand - "Keells" "Keells" and "Elephant House" among Sri Lanka's top 15 most valuable consumer brands (LMD)

Linkages and trade-offs with other capitals

- Pressure on financial capital in the short-term due to the branding transformation in the retail outlets

- The new store layouts are in line with the new Keells modern trade brand promise

- Human capital enhanced through the nurturing of organisational tacit knowledge

- Brand loyalty is reflected in the relationships with our customers

Capital Management

Intellectual Capital

Our Brands

Manufacturing

In the Manufacturing segment, the Company's competitive edge is sharpened by the strength of the Elephant House brand, a household name synonymous with quality and trust. Frequently ranked among the country's most loved brands, Elephant House has successfully retained its brand equity despite the stronger presence of major global beverage brands in the country. Elephant House Cream Soda remained undefeated as the 'Country's most popular beverage brand' for the 13th consecutive year at the SLIM-Nielsen People's Awards. It also won the coveted Youth Choice Beverage Brand of the year attesting to its increasing popularity among young audiences.

We have also sought to nurture a family of new brands with different attributes in order to cater to emerging customer needs. For instance, the Company's premium ice cream brand IMORICH imbues attributes such as indulgence and international ingredients.

Retail

In 2018/19 we completed the roll out of our new "Keells" modern trade brand across our entire network. Developed after extensive study into consumer preferences and expectations at grass root level, the brand epitomises JMSL's fresh promise, service excellence and quality within the five activity pillars of product, price, place, promotions and the customer. Following the brand revamp, JMSL has widened its market share and increased top of mind awareness along with the store equity index.

Recipe innovation

In an industry such as ours, effectively responding to emerging consumer preferences is key to retaining a competitive edge. At CCS, new product development is an ongoing process and is a result of the collective efforts of the R&D team, marketing personnel, quality assurance, brand personnel and production managers among others. In recent years we have placed strategic emphasis on widening our portfolio of products, both in beverages and frozen confectionery and as at end-March 2019 offered 31 and 45 variants of each respectively. Since commencing operations, the Group has thus built an unparalleled library of recipes which has been a vital pillar of its competitive advantage.

2014/15
- Launch of Twistee (Tea based fruit Drink) in two flavours (Peach and Apple)

2015/16
- Launch of 100ml Premium cups
- Launch of Isotonic Drinks in two flavours (Citrus and Orange)

2016/17
- Launch of Lemoki
- Re branding of Wonder range
- Launch of Fit O - Flavoured Fruit Drinks (Mango and Orange)

2017/18
- Reduced sugar content by 45%
- Launched Mint Choc flavour in the IMORICH range
- Launch of Mixed fruit flavour in Fit O range

2018/19
- Sugar free range of CSDs "Go Sugar Free"
- Flavoured milk
- Bottled water
- 'Berry' range in the impulse category segment
- Major Max-Rs.10 stick in two flavours
- Chock Shock
- Cream Soda stick
- In-house manufacturing of cones

Social and Relationship Capital

The relationships we have nurtured with our customers, suppliers, distributors and communities are a critical input in our value creation process, providing our social license to operate and ensuring the smooth continuity of our operations.

2,974 farmers

4 subcontractors

164 distributors

100,000+ retail outlets

Our Social and Relationship Capital

2,563 farmers

54 private label manufacturers

1,467 other suppliers

Manufacturing   Retail

Nurturing our Social and Relationship Capital

What we did	Impact
Launch of 16 new products in the Manufacturing Sector to cater to evolving customer preferences	1% increase in revenue in the Manufacturing Segment Market leader in frozen confectionery and a leading player in beverages
Expanded our farming network in both Manufacturing and Retail segments	Total payments to farmers increased by 21% to Rs. 3,002 million
Expansion of our distributor network, particularly in frozen confectionery category	Our products are available in more than 100,000 retail outlets across the country
Investment of Rs. 26 million in CSR activities	Broad base of beneficiaries

Linkages and trade-offs with other capitals

- Strong relationships with customers lead to better brand equity and sustained revenue increases

- The new store layouts and manufacturing facilities ensure a superior product and service experience

- Training initiatives targeted towards driving improved customer service and satisfaction levels

- Partnering our customers and suppliers in our environmental commitment

Capital Management

Social and Relationship Capital

Suppliers

- Farmers who supply agricultural inputs
- Contract manufacturers
- Private label product manufacturers
- Other suppliers

↓

CCS, CICL and JMSL

↓

Channel partners

- Dealers
- Distributors
- Retail network

↓

End-Consumer

Customers

Engaging with our customers

In Manufacturing, customer feedback is obtained through ongoing engagement with our distribution partners while direct customer interaction occurs through social media and promotional activities. The Retail Sector conducts multi-faceted satisfaction surveys including exit surveys, customer pulse surveys which are done across 500+ households in 5 regions, mystery shopper audits and focus group discussions.

Delivering our Customer Promise

Our value proposition to customers is articulated through our 'Customer Promises' which clearly define the key differentiating factors we wish to pursue in creating customer value. The Manufacturing and Retail Sectors offer different customer promises given the nature of the relevant industries and customer feedback on each of these promises is monitored regularly.

Manufacturing: Customer Promises

We promise a quality product	Internal quality standards and external certifications provide assurance to stakeholders regarding the quality of our products and services. 100% of the products we manufacture are produced in sites which are certified based on the requirements of ISO 22000:2005 Food Safety Management Standards.
We promise to deliver choice	We have expanded both our beverage and frozen confectionery range to suit evolving and varying customer preferences. In beverages we offer 18 flavours of CSD and 09 variants of non-CSD, while in ice cream we offer 45 flavours.
We promise to deliver products at the right price	Following the downward revision in sugar tax during the year, we passed on the cost benefit to the customers. Cost efficiencies of producing cones in new impulse ice cream factory enabled to reduce the price of cones.
We promise to make our products accessible and available	Our products are distributed island-wide to over 100,000 customer contact points through 164 distributors.

Retail: Customer promises

Shopping is easy and enjoyable	The design and structure of the new store layouts ensure a unique retail experience to our customers, as confirmed by the increasing customer satisfaction levels
I can find everything I want easily	Our stores feature adequate space between aisles and tri-lingual signage boards in all aisles
I know its fresh everyday	We offer a 'freshness guarantee' ensuring that products obtained from our supermarkets are the freshest in the market place
I get the best deals and prices	Weekly promotion cycles ensure the best deals and prices in the market
Staff are great	Ongoing focus on staff training relating to customer service
I get my monies worth	Value for money is one of our key brand attributes and we strive to ensure that the prices we offer are among the most competitive in the market

Ensuring quality

In the Manufacturing sector quality is assured at each stage of production and employees are provided regular training on quality aspects including periodic training on Good Manufacturing Principles (GMP), quality concept training for shop floor employees and external quality training for executive employees.

Raw material procurement

- We support and encourage suppliers to obtain quality and food certifications and adopt Good Manufacturing Practices (GMP)
- Supplier audits are conducted on an ongoing basis
- Supplier training programmes to enhance technical skills and ensure high quality production

Production

- Factory and product level certifications (ISO, SLS etc as listed above)
- Income inspection of raw materials, process testing and finished product testing on a sample basis
- Independent third party audit for samples on an annual basis

Sales and distribution

- Temperature tracking during distribution process to ensure cold chain is monitored
- Supporting retail outlets with freezers, coolers and soft drink crates

Living healthier lives

We have a responsibility in ensuring that customers are offered healthy and nutritious options. The beverages and frozen confectionery categories are governed by the Food Act No. 26 of 1980 and the Flavouring substances and Flavour enhances guidelines prescribed by the Food Advisory Committee of the Ministry of Health. During the year there were no incidents of non-compliance with regulations and voluntary codes concerning health and safety aspects of products. Meanwhile we have continued to drive more balance in our beverage portfolio through focusing on formulating healthy beverages with lower sugar content.

Capital Management

Social and Relationship Capital

Marketing Communications

Product labelling requirements are governed by the Food (Labelling and Advertising) regulation of 2005. Information to be disclosed includes date of manufacture and expiry, complete list of ingredients and instructions for storage. 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.

Number of products	Ingredients used	Sourcing of components	Content or substances with environmental and social impact	Safe use of product or service	Disposal of the product
Soft Drinks	100%	0%	0%	5%	74%
Ice Cream	100%	0%	0%	4%	100%
Retail	60%	1%	0%	28%	95%

In 2018/19, we also commenced the voluntary disclosure of the nutritional content of our private label products in accordance with international standards and introduced the nutri-information boards at 58 of our supermarkets. 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 regulations or marketing practices.

Suppliers

A network of 3,000 suppliers in Manufacturing and Retail play a vital role in ensuring the uninterrupted supply of high-quality products. Most of the Company's raw materials are procured locally, including the entirety of agriculture-based ingredients and fresh milk which are inputs in the manufacture of beverages and ice creams. In the Retail Sector JMSL sources fresh produce from a network of over 2,500 farmers. 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 in our outlets. Supplier assessment is conducted for labour practices (including working conditions, child/forced labour, occupational health and safety), environmental impacts and human rights.

Manufacturing	No.
Farmers/out-growers	2,974
Contract manufacturers	4
Packaging material	33
Sugar suppliers	4
Flavoured milk	2
Retail	
Dry food products	471
Organic food products	7
Fish and meat	21
Vegetables and fruits	Over 2,500
Private label suppliers	54

Farmers

We support livelihoods of over 2,900 farmers through the purchase of Ginger, Vanilla, Treacle, Kithul, Jaggery and Cashew nuts. Ongoing efforts to support these farmers through capacity building initiatives have enabled us to develop a secure supply chain and during the year we injected Rs. 205 million by way of payments to out-growers an increase of 21% compared to the previous year. As reported in last year's Annual Report, we continue to source ginger from differently abled persons in Mathugama through a special project aimed at furthering our commercial and social sustainability objectives. Through this initiative empty sugar bags and ginger seeds were distributed to 15 differently abled persons, together with technical support and access to finance to ensure the success of cultivation.

In Retail, we further expanded our network of collection centres with the addition of a new centre in Keppetipola, thereby bringing the total to 10. We offer fair trading terms and transparent pricing to over 2,500 farmers and during the year we purchased fresh fruits and vegetables valued at Rs. 2,797 million.

Rs. 3,002 million
Payment to farmers

53
Farmer training programmes

12
Suppliers obtained GMP certification

157
Differently abled persons supported through ginger cultivation

Manufacturing

Produce	No. of beneficiary farmers	Volume purchased (KG)	Total payments (LKR)
Ginger Sourced from farmers in the Kandy District as well as Colombo, Gampaha, Kalutara and Galle	245	23,200	39,440,000
Vanilla Sourced from the several Kandy suburban areas in partnership with the Kandy Vanilla Growers Association	1,100	441	24,660,000
Treacle Sourced from Waralla, Mathugama and Deniyaya	20	34,550	4,491,500
Jaggery Sourced from the Agriculture Self Employment Society of Neluwa	209	29,864	18,665,000
Cashew Nuts Collected from Wanathawilluwa, Galewella, Adiyagama,Chilaw, Serukele and processed in Kuliyapitiya and Ja-Ela	1,400	43,160	117,458,800

Retail

Produce	No. of beneficiary farmers	Volume purchased (KG)	Total payments (LKR)
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	220	4,287,660	361,839,248
Suriyawewa collection centre Source low country vegetables and fruits from Walawa Mahaweli region in the Southern Province	140	3,796,543	291,717,893
Nuwara Eliya collection centre A vegetable collection centre operated by the Nuwara Eliya Agricultural Cooperative Society	1,150	3,686,367	800,892,347
Jaffna Sourcing of vegetables and fruits	120	1,255,027	124,799,641
Sigiriya Sourcing of vegetables and fruits	133	3,327,780	320,561,922
Puttalam Sourcing of vegetables and fruits	65	1,115,446	236,908,228
Bandarawela Sourcing of vegetables and fruits	500	1,949,968	346,844,673
Pannegamuwa Source low country vegetables and fruits from Lunugamwehera in the Southern Province	60	1,668,156	141,035,809
Kappetipola Sourcing of vegetables and fruits	120	811,145	115,071,961
Balangoda Sourcing of vegetables and fruits	55	335,142	57,593,518

Capital Management

Social and Relationship Capital

Capacity Building

We conduct training and capacity building programmes for our farmers on an ongoing basis, ensuring good agricultural practices to minimise the degradation of natural resources. We also encourage and support our farmers to obtain the Good Agricultural Practices (GAP) certification. Our dedicated team of extension officers also carry out regular audits to ensure that the quality of the produce is in line with our expectations. During the year we conducted 53 training programmes with a total participant base of over 1,917 farmers.

Supplier training

Sample of training programmes conducted for farmers

Crop management	Sustainable agricultural practices	Product quality
Post-harvest technologies	Introduce SL-GAP	Selection process of Keells Centres
Hybrid seeds and varieties	Soil reports and improvements	Improving quality of the products
Chemical and fertilizer solutions	Best practices in agriculture	
Pest and disease control	Plant protection	

Private label manufacturers

In Retail, we work with around 50 SMEs and corporates who manufacture our private label products. In line with the expansion of our network we have supported the increased scalability of these manufacturers through ongoing capacity building programmes, market insights and internal audits. We also encourage compliance to the Good Manufacturing Practices (GMP) certification, particularly for food manufacturers.

Distributors

The Manufacturing Segment's extensive network of 164 distributors supply our products to over 100,000 retailers island-wide ensuring the accessibility of our products to customers. The persistently difficult market conditions during the year continue to adversely impact our distributors, particularly in the beverage category which saw a sharp decline in volumes. We continued to engage proactively with them to ensure they remained profitable through providing guidance on the correct product mix to be maintained, lean operations and increasing efficiency. During the year we also extended our sales and marketing related training to our distributor sales representatives with over 200 individuals undergoing training during the year.

In frozen confectionery we expanded our network of distributors through the addition of 34 new partners to our network, thereby increasing the availability of our products in more than 35,000 outlets. We also deployed over 3,000 freezers across the market at a total investment of Rs. 300 million. A dedicated system, 'Asset Eye' is also in place to evaluate the redistribution of products and Company-owned coolers deployed in the market.

The Company continues to reap benefits from its state-of-the-art distribution system which provides access to real-time data sharing which ensures that the right product is being distributed to the retail outlets at the right time.

Distributors by Region

Region	Soft Drinks	Ice Cream	Total
Western	37	35	72
Central	8	8	16
Southern	8	10	18
North Central	2	3	5
Northern	7	3	10
North Western	8	7	15
Eastern	5	4	9
Sabaragamuwa	5	6	11
Uva	3	5	8
Total	83	81	164

Length of Distributor Relationship

	Number of distributors
< 2 years	69
3-10 years	49
11-20 years	33
21-50 years	12
> 50 years	1

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 Exporter
- Sri Lanka - Maldives Bilateral Business Council
- Lanka Confectionery Manufacturers Association
- Sri Lanka Association of Testing Laboratories
- Customer Goods Forum

Community Engagement

As part of the John Keells Holdings Group, our approach towards community value creation is broadly aligned to the strategic Corporate Social Responsibility objectives of our parent entity. As such, we support the community engagement initiatives which are formulated, implemented and monitored by John Keells Foundation, the CSR entity of John Keells Group. During the year we contributed Rs. 26 million to the activities of John Keells Foundation and the following projects were conducted during the year:

School screening programme

CCS continued its collaboration with John Keells Foundation and the Ministry of Health in conducting school screening programmes in the Colombo District enabling early detection of refractive errors and vision impairments in school children. We provide financial resources and volunteer assistance in screening, obtaining prescriptions for spectacles and other necessary treatment for visual problems. During the year under review, vision screening was conducted in 117 schools in the Colombo District, testing 27,510 school children while spectacles were donated to 1,547 school children. CCC staff volunteered to support activities under the John Keells Vision Project in the reporting year.

117 Schools

27,510 Children screened

1,547 Spectacles donated

School screening programme

John Keells Vision Project

Aligned with the World Health Organisation's "Vision 2020" project, the John Keells Foundation's Vision project is an island-wide initiative aimed at sponsoring cataract surgeries for under privileged persons across the island. Given the high backlog of cataract surgeries stemming from the lack of resources, the project has over the years supported over 13,000 deserving patients. The project funds and facilitates vision testing and surgery for identified cataract patients in partnership with the Vision 2020 Secretariat of the Ministry of Health. During the year, CCS funded a total of 3 eye camps resulting in the successful completion of 124 cataract surgeries.

03 Eye camps

124 Surgeries

Vision 2020 - Eye testing

Vision 2020 - Distribution of spectacles

Sports medicine awareness programme

In a strategic CSR initiative, CCS in partnership with the Sri Lanka Sports Medicine Association and John Keells Foundation launched a programme to create awareness on sports medicine among school sports persons with the aim of improving their overall health and fitness. The pilot project involved 6 projects with preliminary activities including planning, budgeting and developing of communication material undertaken during the year.

English skill development

Considering the importance of developing English communication skills among Sri Lankan children and youth to enhance their opportunities for higher education and career development, CCS co-funded John Keells Foundation's English Language Scholarship Programme (ELSP). Since its inception in 2004, the main focus of ELSP is 'English for Teens' offering scholarships to students aged 12-14 years from under privileged government schools in various parts of the country.

Following the success of the restructured model piloted last year, the 76-hour tier 1 course combining English and ICT was continued in the reporting year benefiting a total of 648 students.

Capital Management

Social and Relationship Capital

As part of this programme, the John Keells English Day 2018 was held as a province based event. English days serve as a platform for the John Keells English scholars to showcase their talents through performance of various items, build self-confidence and learn from one another in a competitive environment.

John Keells English Day

Kala Pola

CCS continues to partner John Keells Holdings PLC in the Kala Pola, the highly popular open-air art fair which enables artists and sculptors across the country to showcase and market their art. Kala Pola 2019 featured 357 artists and attracted approximately 31,800 visitors, both local and foreign, generating over Rs.17.5 million in estimated sales revenue. CCS supported the Foundation by organizing logistics for the street fair and sponsoring the Children's Art Corner, attracting 235 child artists who were aided by teachers of the Cora Abraham Art School and were rewarded with certificates and refreshments courtesy of Elephant House. A total of 28 CCS staff volunteers 5 CCS brand activation agents supported Kala Pola 2019.

John Keells Kala Pola

Disaster Relief

Our staff volunteers assisted the Foundation in its flood relief efforts during the year, co-funding a well-cleaning initiative in collaboration with Sri Lanka Red Cross Society. CCS cleaned a total of 30 wells in the Colombo District benefiting over 120 people.

Flood relief efforts

Farmer Empowerment

CCS continues to contribute to the socio-economic empowerment of local farmers by procuring a range of raw materials such as ginger, vanilla, treacle and cashew nuts through long term out-grower programmes. In addition to the procurement, CCS also provides technical and financial support to farmers ensuring the sustainability of their operations. Total purchases during the year amounted to Rs. 205 million through which we supported a total of 2,974 farmers (refer to page 63 for further information).

Sourcing partner for vanilla seeds

During the year there were no any incidents recorded on any non-compliance of laws and regulations relating to social and economic aspects.

Natural Capital

As a manufacturing organisation, we are cognisant of our environmental impacts and consistently strive to reduce our environmental footprint through efforts directed at reducing energy and water consumption and responsible waste management. The Group's integrated cost optimisation efforts are also directly linked to the consumption of natural resources, enabling us to fulfil both our commercial and sustainability objectives.

Our Natural Capital

Manufacturing

80,271 GJ
Energy consumption

432,748 m^3
Water consumption

12,785 tCO_2e
Carbon footprint

Retail

157,509 GJ
Energy consumption

196,771 m^3
Water consumption

27,574 tCO_2e
Carbon footprint

Nurturing our Natural Capital

What we did	Impact
Conversion of 41 retail outlets to solar power	Generation of renewable energy and reduction in carbon footprint
Conversion of the long neck in PET bottles to short neck	Reduction in total plastic usage
Use of Ammonia based refrigerant in the new factory	Reduction in energy consumption
Reduction of blowing pressure in the PET packs from 35 bars to 28 bars	Reduction in energy consumption

Linkages and trade-offs with other capitals

- Initial investment in solar power would adversely impact financial capital in the short-term

- Incorporation of integrated cost optimisation and energy efficient systems in our manufacturing facilities

- Engaging employees in the conservation of natural resources

- Customers are engaged in our environmental commitment through the reduced use of polythene

Capital Management

Natural Capital

Management Approach

Scarcity of resources and climate change have emerged as critical global issues which could threaten the sustainability of organisations around the world. At CCS we strive to grow our business sustainably through maximising energy and water efficiency, minimising waste and reducing our carbon footprint. Robust mechanisms are in place to measure environmental indicators such as energy consumption, energy intensity and quality of and quantity of effluents and waste. During the year, there were no fines or penalties imposed on the Group for non-compliance with environmental regulations or laws. The Group has also obtained and complies with the following environmental certifications;

- ISO 22000 Certification
- ISO 9001 Certification
- ISO 18001-OHSAS Certification
- Earth Check (Bronze)

Implications of climate change

Climate change impacts the Group primarily through natural disasters which lead to prolonged crop failure, supply deficits and declining yields in our agricultural inputs such as ginger and vanilla. As a Group, we are yet to quantify these impacts.

Materials

The key raw materials consumed in our manufacturing process are sugar, milk, agriculture-based products and packaging materials. In addition to reformulating products to reduce the sugar content, we constantly pursue ways of reducing the environment impact of our packaging through the following the measures;

- Conversion of the long neck in PET bottles to short necks resulting in the reduction of plastic usage by 25% and 13% at neck and closure levels.

	PCO 1810	PCO 1881	Plastic Reduction
Neck	5.10 g	3.80 g	25%
Closure	3.10 g	2.70 g	13%

- Use of alternative glue to reduce the glue consumption for glass bottle labels
- Recycling glass bottles which are re-used on an average of 8 times
- Lower plastic content for ice cream tubs
- Packaging of Twistee changed from PET to Tetra

Partnering with customers in reducing the usage of polythene

We are cognisant of the adverse environmental impacts arising from the use of polythene at our supermarkets and over the last few years have launched several initiatives to drive a reduction of polythene usage at our retail outlets, even prior to the polythene ban in 2017. We introduced the industry's first eco-friendly, re-usable and bio-degradable shopping bags to be used as an alternative to plastic bags as far back as 2008. 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. Over the years the usage and re-usage of green bags is in an upward trend. The timeline of initiatives launched is given below;

Introducing the re-usable green bags

2008	2017	2018	2019
Launched the industry's first re-usable, bio-degradable shopping bag	Bring your own bag initiative	Country's first compostable bags at a nominal price when purchasing fruits and vegetables	Bring your own container for meat/ fish purchases

Energy

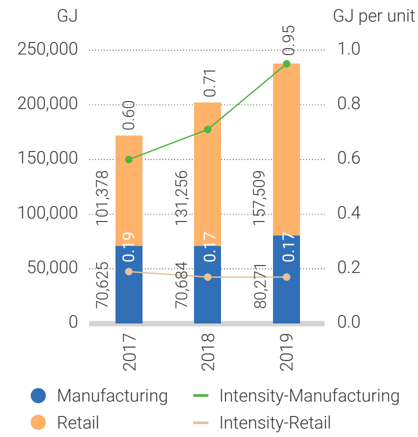
The Group's energy usage stems primarily from it's manufacturing facilities and our key sources of energy are electricity, LP gas, diesel and furnace oil. As a manufacturing organisation, the energy intensity of our operations is relatively high, and concerted efforts are adopted every year to increase our energy efficiency. The design and technology of the new impulse-range factory incorporates integrated energy management mechanisms resulting in significant energy efficiencies. The Group's key energy initiatives in 2018/19 are listed below;

Facility	Energy initiative	Estimated savings in KwH
Seethawaka Factory	Use of Ammonia based refrigerant which is considered the most environmentally friendly and energy efficient refrigerant	Started from the inception
	Use of energy efficient lighting, cooling and motor systems	
Ranala Factory	Reduction of blowing pressure in the PET packs from 35 bars to 28 bars which has led to a reduction in energy consumption in the blow molding machine	269,941
Retail	Conversion of 41 outlets to solar power	4,169,725

Energy results

The Group's total energy consumption increased by 18% to 237,780 GJ reflecting increased operational activity given the expansion of our retail network and the commissioning of the new ice cream factory. Therefore energy intensity has increased in manufacturing while retail was able to maintain the same as in last year. Accordingly, energy consumed per million produced Litre in manufacturing increased by 33% to 952 GJ while energy consumed per square foot in retail remained unchanged at 0.171 GJ per square foot the retail sector.

Energy Consumption



	2018/19	2017/18	2016/17
Direct energy consumption (Kwh)			
Diesel (Litres)	932,012	990,403	779,871
Furnace oil (Litres)	310,005	62,440	93,799
LPG (kg)	54,695	43,065	47,458
Indirect energy consumption (Kwh)			
Purchased from CEB (Units consumed)	39,497,707	33,136,651	30,145,865
Purchased from LECO (Units consumed)	15,287,529	13,530,925	9,651,449

Solar power converted Keells outlet

Warehouse at The Colombo Ice Company (Pvt) Ltd

Water

Water scarcity is emerging as a key global issue pertaining to environmental sustainability and we continue to drive efforts towards enhancing water efficiency. The Group fulfils its water requirements through ground water and municipal line sources. Regular pumping tests are conducted in the deep wells in accordance with regulatory requirements to ensure that water levels in wells in the neighbouring communities are not impacted by our operations. We also obtained a new water line routed along a neighbouring community providing access to clean water to surrounding communities. The following measures were taken to improve the Group's water footprint during the year;

- Rain water harvesting at the Ranala factory
- Recovery of approximately 150,000 of litres per day through a state-of-the-art sewerage system plant. The treated water is used for cleaning of conveyors and floor areas

Capital Management

Natural Capital

The Group's water consumption during the year is given below;

Volume (m3)

	2018/19	2017/18	2016/17
Ground Water	373,383	432,603	502,023
Municipality Water	256,136	166,508	173,328
Total Water	629,519	599,111	675,351

New waste management initiatives adopted during the year include;

- PH Auto dosing system for effluent treatment plant which ensures the correct PH values of the effluents.
- New effluent treatment plant in the Seethawaka factory

Waste and effluents

We are committed to the responsible disposable of both solid waste and effluents. Solid waste generated from our operations are packaging materials, rejected products/ wrappers, damaged crates and palettes which are segregated and sent for recycling to approved third parties. 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 plant which treats sewerage water according to stringent parameters. The water quality parameters are monitored on an ongoing basis and the quality of water discharged is better than the regulatory levels prescribed by the Central Environmental Authority.

Plasticycle initiative

Quality of water	2018/19	2017/18	2016/17	2015/16	2014/15
Biochemical Oxygen Demand (BOD)					
To Rivers, Lakes after being treated by ETP/STP	10	10	10	10	10
Direct to Rivers, Lakes, Wetlands, Marshes	10	12	10	10	10
Chemical Oxygen Demand (COD)					
To Rivers, Lakes after being treated by ETP/STP	26	72	83	14	66
Direct to Rivers, Lakes, Wetlands, Marshes	47	66	116	37	47
Total Suspended Solids (TSS)					
To Rivers, Lakes after being treated by ETP/STP	16	37	15	5	12
Direct to Rivers, Lakes, Wetlands, Marshes	22	41	15	7	9
pH Levels					
To Rivers, Lakes after being treated by ETP/STP	8	8	8	8	8
Direct to Rivers, Lakes, Wetlands, Marshes	8	8	8	8	8
Oil and Grease Levels					
To Rivers, Lakes after being treated by ETP/STP	4	4	4	2	1
Direct to Rivers, Lakes, Wetlands, Marshes	5	5	4	2	2

Volume (m3)

Destination - Group	2018/19	2017/18	2016/17	2015/16	2014/15
Municipality sewerage, drainage	61,639	25,230	26,689	21,771	22,703
ETPs and Recycled	2,979	13,407	366	753	798
To rivers, lakes after being treated	173,775	205,352	218,446	222,641	190,650
Direct to rivers, lakes, wetlands, ,marshes	13,329	17,995	37,030	24,422	22,444
Ground through soakage pits	185,269	135,936	124,152	113,705	105,663
Provided to another organisation	5,523	5,784	14,313	12,933	12,515
Total Water Discharge	442,514	403,704	420,995	396,225	354,773

Plasticycle by JKH

We have partnered with the John Keells Group, in a social entrepreneurship initiative, Plasticycle which aims to reduce plastic pollution through encouraging the reduction in use of single-use plastic and encouraging the responsible disposable of plastic. Plasticcycle seeks to drive change through three key areas of focus - creating awareness, supporting responsible disposal and promoting recycling.

To date Plasticcycle has placed approximately 130 collection bins across the Western and Southern Province in collaboration with Ceylon Cold Stores PLC, Walkers Tours and Jaykay Marketing Services (Pvt) Ltd which has enabled the recycling of over 20 Metric tons of Plastic waste through recyclers registered with the Sri Lanka Recycling Association of which 18.5 Metric tons of recyclable plastics were collected through bins sponsored by Ceylon Cold Stores PLC.

We also partnered The Road Development Authority, Beira Enviro-Solutions Pvt. Ltd and Walkers Tours in organising an awareness campaign on the responsible disposal of PET bottles along the exits of the Southern Expressway. Awareness was created among 10,000 commuters entering the expressway with the main event held at the Welipenna Service Area. In addition, the following initiatives were conducted to raise awareness on responsible disposable of plastic waste;

- Social media engagement including a trilingual anti-plastic burning campaign.
- Installing banners at the exit points of the Southern Expressway promoting responsible disposal and recycling
- Handing out reusable bags to over 3,000 children of Group employees with the message "I reduced my plastic footprint" encouraging them to be stakeholders in the initiative
- Continuous advocacy with regulatory bodies to develop a governing framework geared towards changing consumer preference and reliance on free shopping bags.

Carbon footprint

13 CLIMATE ACTION

The energy saving initiatives discussed on page 69 of this Report have a direct impact on the Group's carbon footprint. Higher operational activity during the year resulted in a 12% increase in the Manufacturing sector's carbon footprint, while the Retail sector's carbon footprint also increased by 21%. Consequently carbon intensity in manufacturing has increased by 31% while in retail it remain unchanged despite the increase in its outlet base. Key Co_2 initiatives during the year are as follows;

- CO_2 yield improvements through CO_2 valve modification, sifting pressure optimization, filler timing adjustments, optimizing bowl pressure and intermix variables.

- The Group's carbon footprint for the year is given below; the carbon footprint computation below is based on the GHG Protocol published by the World Resources Institute.

Carbon Footprint by Source - tCO2e - Group	2018/19	2017/18	2016/17	2015/16	2014/15
Direct energy through primary sources (Scope 1)	3,017	2,502	2,118	1,359	1,373
Indirect energy through primary sources (Scope 2)	37,342	31,809	27,126	23,756	21,439
Total Carbon Footprint	40,358	34,310	29,244	25,116	22,812

We believe local tastes better.
Keells
Proudly Sri Lankan owned and operated for over twenty five years.
Keells
DAIRY
FROZEN
BAKERY
From farm to store within
From farm to store within
Fresh


DELI
Hot, Fresh, Delicious
Cereal
Tea
Desserts
24 hours
24 hours
deals

Corporate Governance Commentary

1. Executive Summary

The Group's well-structured corporate governance framework, built on the core principles of accountability, participation and transparency, has been the cornerstone of the Group's steady advancement over the years. Whilst the Group constantly re-aligns, reinvents and adapts to the changing business landscape, the Group's corporate governance philosophy is institutionalised across all business units through a strong set of corporate values, a written code of conduct and a proven performance management and values monitoring system. Good governance practices are engrained 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's governance framework has its own set of internal benchmarks, processes and structures towards meeting accepted best practices in governance, in addition to the "triggers" which ensure compliance with mandatory regulatory requirements. The ensuing report details:

- The components of the John Keells Holdings PLC (JKH PLC) Corporate Governance System.
- The monitoring mechanism in place to ensure strict compliance to the Group's Governance policy.
- The outlook and emerging challenges for Corporate Governance.
- CCS's compliance with all mandatory requirements of legislation and its voluntary adoption of recommended codes in the governance field.

The report below, discusses the Group's compliance with all mandatory requirements of legislation and its voluntary adoption of the 2013 Corporate Governance code in the governance field.

1.1 Compliance Summary

1.1.1 Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No. 07 of 2007	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions - fully compliant
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars	Mandatory provisions - fully compliant
Code of Best Practices on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - compliant with almost the full 2017 to the extent of business exigency and as required by the John Keells Group

1.1.2 Key Internal Benchmarks

- Company Articles of Association and other constitutional documents
- Recruitment and selection policies
- Learning and development policies
- Policy on career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours and tele-working policies
- Code of conduct
- Policy against sexual harassment
- Policies on forced, compulsory and child labour
- Disciplinary procedure
- Policy on grievance handling
- Anti-fraud policy
- Policy on communications and advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and Forex risk mitigation
- IT policies and procedures, including data protection and security
- Group environmental and economic policies
- Policies on energy, emissions, water and waste management
- Policies on products and services

1.2 Key Corporate Governance Highlights at CCS Group for the Year 2018/19

- Mr. S C Ratnayake, Non-Independent – Non-Executive Director and Group Chairman resigned from the Board with effect from 31st December 2018 upon his retirement from JKH.
- Mr. J R Guneratne Non-Independent - Executive Director resigned from the Board with effect from 30th June 2018.
- Mr. K N J Balendra Non-Independent - Non- Executive Director assumed office as the JKH Chairman as well as Chairman of CCS on 1st January 2019.
- The Board declared and paid a final dividend of Rs. 8.00 per share in June

2018 for the financial year 2017/18. For the year under review, the Board declared and paid an interim dividend of Rs. 7.00 in March 2019.

- A Board sub-committee titled, "Project Risk Assessment Committee" was established during the year under review, to further augment the Group's investment evaluation framework. The sub-committee provides the Board with increased visibility of large-scale new investments and assists the Board to assess risks associated with such significant investments at the initial stages of discussion and in any event prior to making any contractual commitments for the long-term.
- During the year under review, the Group migrated to a state-of-the-art cloud based human resource information platform from the on-premise system used by the Group during the previous ten years. This platform will seamlessly manage the entire employee life cycle from recruitment and onboarding, to performance management and succession planning, compensation and learning and development, through to off-boarding.
- The Group, in liaison with a leading global management consulting firm, embarked on an Advanced Analytics transformation journey during the year under review. The Group is uniquely positioned to capitalise on this opportunity given the diversity of industries the Group operates in and the unparalleled access to a comprehensive data eco system.
- The reporting structure of its businesses were amended during the year under review, where the Consumer Food and Retail Industry Group was segregated into two separate industry groups.
- During the year, as part of Group's People Promises initiatives originating from the Long-Term Business Plans (LTBP), an internal employee survey was carried out to measure employee satisfaction levels. This quarterly survey has given indications on improvement areas and a comparison from each quarter, which in turn enabled the management to address issues and improvement areas where employees are concerned.

1.3 Highlights of the 121st Annual General Meeting Held on 25th June 2018

- Mr. J R Gunaratne who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as an Executive Non-Independent Director of the Company.
- Mr. M Hamza who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Non-Executive Independent Director of the Company.
- Mr. K N J Balendra who retired in terms of Article 90 of the Articles of Association of the Company was re-elected as a Non-Executive Non-Independent Director of the Company.
- Mr. J G A Cooray who retired in terms of Article 90 of the Articles of Association of the Company was re-elected as a Non-Executive Non-Independent Director of the Company.
- Mr. D P Gamlath who retired in terms of Article 90 of the Articles of Association of the Company was re-elected as an Executive Non-Independent Director of the Company.
- Messrs. Ernst & Young (EY) were re-appointed as the External Auditors of the Group and the Directors were given authorization to determine the remuneration of EY.

1.4 Outlook and Emerging Challenges

Given global volatility and the dynamic world of Corporate Governance, the Group is well aware of the need to remain vigilant and geared through its level of preparedness and its capability in meeting external challenges to keep going forward. The Group will continue to endeavour to stay abreast of governance best practice.

Concurrently, corporate disintegrations, the pursuit of continuous improvement in governance and a call for increased accountability and transparency are exerting change pressure on selected governance aspects. Detailed below are the more significant challenges, amongst many others, being recurrently addressed by the Group.

1.4.1 Board Diversity

Whilst the CCS Group acknowledges the need for diversity on the Board, the Group is also conscious of the need to have a Board which comprises of Directors who represent, and therefore reflect the needs and desires of its customers, employees and other stakeholders. The Group will attempt to attract appropriately skilled personnel to the Board and continue to strike a balance in this regard, whilst ensuring that Board diversity does not come at the expense of Board effectiveness.

Given that women comprise a significant proportion of the customer and employee populations, the Group will make greater effort to attract appropriately qualified women to the Board.

1.4.2 Shareholder Activism

Increasing reports of mismanagement within corporates have resulted in increased shareholder activism across the globe with the Board being held increasingly accountable and responsible for the Company's performance. To meet such challenges and keep going forward, the Group will continue to focus on maintaining suitable channels of communication with investors, and analysts, as required, on a timely basis.

1.4.3 Continual Strengthening of Internal Controls

Augmenting transactional and financial internal controls with operational aspects, in line with international best practice, remains a medium-term priority for the Group. Continual strengthening of internal controls through a streamlined process that optimises and facilitate process audit information, life cycle management and related processes is expected to:

- Eliminate inefficiencies inherent with manual processes
- Provide a platform based on process enforcement
- Enable management follow-up based on centrally held data in the compliance repository
- Identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture

Corporate Governance Commentary

1.4.4 Digital Oversight, Data Protection and Cyber Security

The rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has resulted in the Group being more vulnerable from a digital standpoint. As such, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is adequate to meet an inevitable breach. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at the Board level.

1.4.5 Data Protection, Information Management and Adoption

Although the Group has in place continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, adoption of such systems and features, particularly in relation to information management and data classification, still remain at an early stage across the Group. To address this divergence, awareness sessions are being conducted across Group companies to better drive user adoption.

The European Union General Data Protection Regulation (GDPR), which has directly impacted many businesses, is a noteworthy data privacy regulation which will fundamentally reshape the way in which data is handled, ensuring stringent consent management processes and effective data rights management systems to ensure data security. Given the emergence of such regulations, data integrity and information management will be of pivotal nature. Thus, in furtherance of this initiative, the Group in the ensuing year will strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group wide data quality standards. Implementation of the same across data domains in the Group will be supported by dedicated data owners and data stewards to ensure data privacy, data quality and rights management.

1.4.6 Board Refreshment and Independence

Although some argue that frequent board refreshment is needed to ensure independence, fresh ideas and new experiences in line with the changing nature of business, others argue that tenured and experienced Directors who are well aware of the nature of the business are better decision makers. The Group believes in striking a balance between board refreshment and independence.

1.4.7 Greater Employee Involvement in Governance

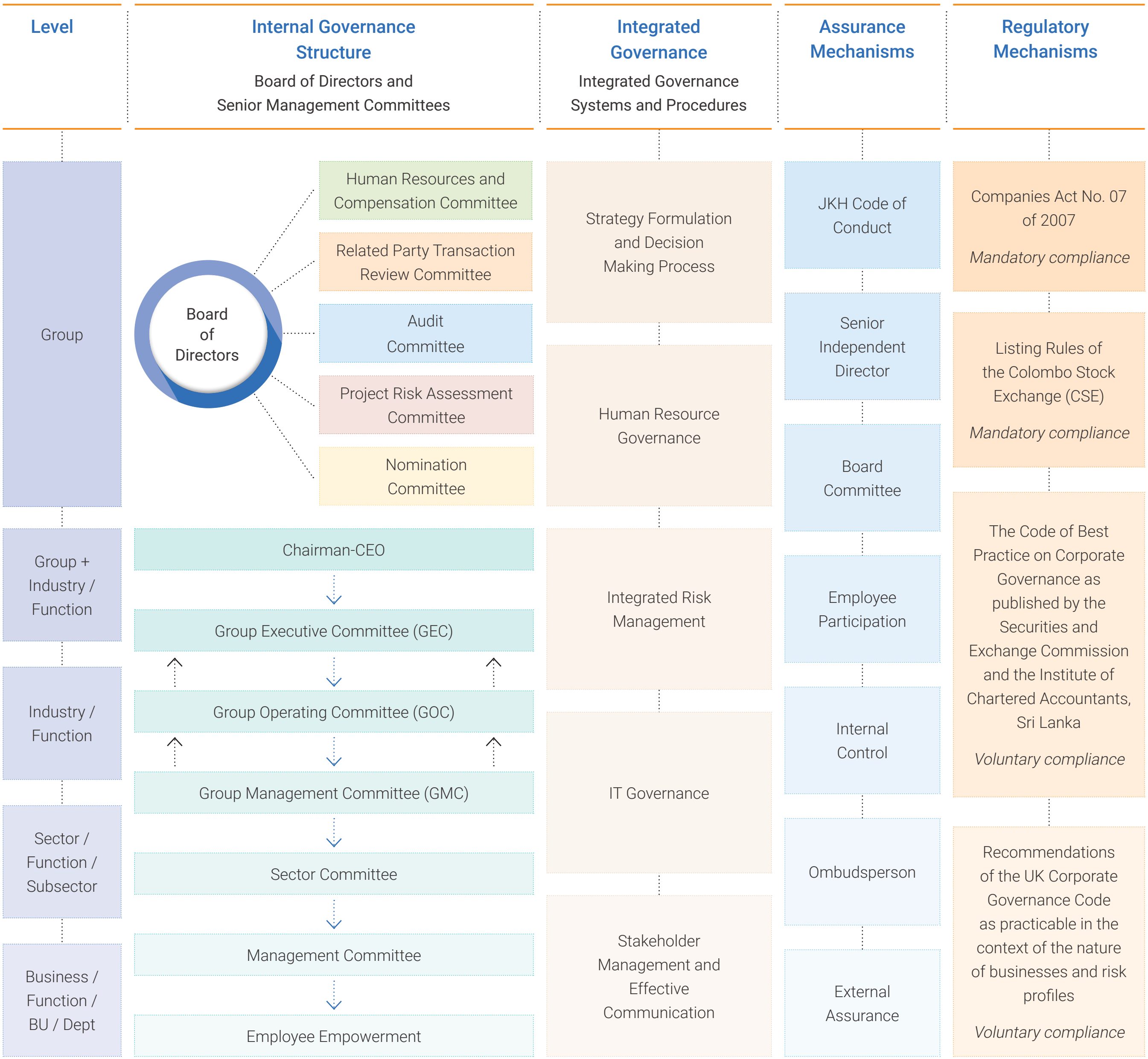
Employees play a pivotal role in reinforcing an effective governance system across the Group. Going forward, the Group will continue to encourage greater employee participation through;

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

1.5 Key Governance Disclosures

	Section under Corporate Governance Commentary
The Governance System	2
The Board of Directors	3.1
Audit Committee	3.2.1
Human Resources and Compensation Committee of the Parent Company JKH PLC	3.2.2
Nominations Committee of the Parent Company JKH PLC	3.2.3
Related Party Transaction Review Committee of the Parent Company JKH PLC	3.2.4
Project Risk Assessment Committee of the Parent Company JKH PLC	3.2.5
Role of Chairman	3.3
Group Executive Committee and other Management Committees	3.4
Human Resource Governance	4.2
Stakeholder Management and Effective Communication	4.5
Assurance Mechanisms	5
Compliance Summary	7

2. The Corporate Governance System (JKH)



- Except the Audit Committee the other four Boards Sub-Committees are chaired by Independent Directors appointed by the JKH Board. The Audit Committee is appointed by the CCS Board.
- The Chairman is present at all Human Resource and Compensation Committee meetings unless the Chairman's performance assessment or remuneration is under discussion. The Deputy Chairman/Group Finance Director and the President Human Resources and Legal are invited as necessary.
- Audit Committee meetings are attended by the President, Sector Head and Chief Financial Officers of CCS, CICL and JMSL and the Head of Group Business Process Review, Internal and External Auditors are regular attendees.
- GOC acts as the binding agent to the various businesses within the Group towards identifying and extracting Group synergies.

Corporate Governance Commentary

3. Internal Governance Structure

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

Board of Directors *Refer 3.1*

Purpose:

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

Audit Committee

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

Refer 3.2.1

Human Resources and Compensation Committee

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

Refer 3.2.2

Nominations Committee

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

Refer 3.2.3

Related Party Transactions Review Committee

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

Refer 3.2.4

Project Risk Assessment Committee

Purpose:
To evaluate and assess risks associated with Significant New Investments at the initial stages of formulation and in any event prior to making any contractual commitments for the long- term.

Refer 3.2.5

Leadership and control

Accountability through reporting obligations

Chairman *Refer 3.3*

Purpose as Chairman:

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

Reporting obligations

Operations management / Performance feedback

Delegated authority

Management Committees

Purpose:

Led by the President/Sector Head, these committees execute strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources thereby ensuring that value is created/enhanced for all stakeholders throughout the value chain. *Refer 3.4*

Employee Empowerment

Purpose:

Effective recruitment, development and retention of this vital stakeholder, by equipping employees with the necessary skill set and competencies, to enable them to execute management decisions. *Refer 3.5*

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

3.1 The Board of Directors

3.1.1 Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, constructive dissent and productive dialogue, ensuring an environment which facilitates employee empowerment, engagement and creates value to all stakeholders.

The Board's key responsibilities include:

- Providing direction and guidance to the Group in the formulation of sustainable high-level medium and long-term strategies which are aimed at promoting the long-term success of the Group
- Reviewing and approving annual plans and long-term business plans
- Tracking actual progress against plans
- Reviewing HR processes with emphasis on top management succession planning
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework
- 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
- Approving any amendments to constitutional documents
- Applying in principle the issue of equity/ debt securities
- Ensuring all Related Party Transactions are compliant with statutory obligations

3.1.2 Board Composition

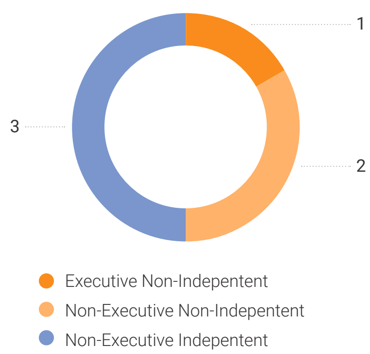
As at 31st March 2019, the Board comprised of 6 Directors, 3 of them being Non-Executive Independent, 2 of them being Non-Executive Non-Independent and 1 being Executive Non-Independent. The Group policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors, in keeping with the applicable rules and codes, with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

The key changes to the Board composition during the year under review are as follows:

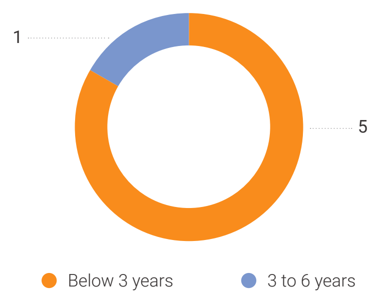
- Mr. S C Ratnayake, Non-Independent - Non-Executive Director – resigned from the Board with effect from 31st December 2018.
- Mr. K N J Balendra Non-Independent - Non-Executive Director assumed office as the JKH Chairman and the Chairman of CCS on 1st January 2019.
- Mr. J R Gunaratne Non-Independent - Executive Director resigned from the Board with effect from 30th June 2018.

The current composition of CCS Board is illustrated as follows;

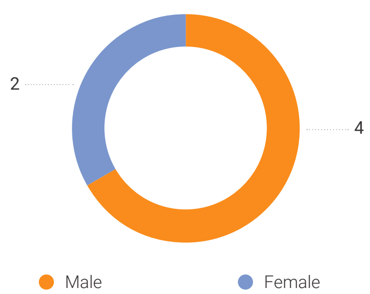
Designation



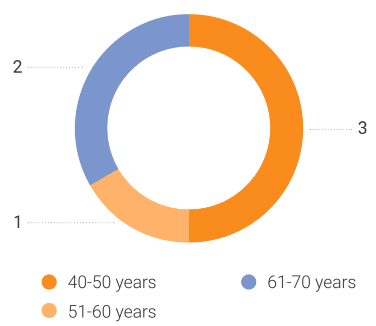
Board Tenure



Gendar



Age Group



Corporate Governance Commentary

3.1.3 Board Skills

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

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

The Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in order to ensure that the skills representation is in alignment with current and future needs of the Group. Individual Directors being encouraged to seek expert opinion and professional advice on matters where they may not have full knowledge or expertise is also a factor that fosters better decision making.

3.1.4 Access to Independent Professional Advice

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

3.1.5 Board Appointment

Board appointments follow a structured and formal process within the purview of the Nominations Committee. The Terms of Reference for the members of the Nominations Committee can be found in section 3.2.3 of this Commentary.

Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement. Details of such appointments are also carried in the respective Interim Release and the Annual Report. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

3.1.6 Board Induction and Training

When Directors are newly appointed to the Board, they undergo a comprehensive induction where they are apprised, inter-alia, of the Group values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and the operational strategies of the Group.

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

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

3.1.7 Re-election

All Non-Executive Directors are appointed for a period of three years and are eligible for re-election by the shareholders. Non-Executive Directors can serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the requirements of the Group. Annually, the Board discusses the possibility of any impairment of Director independence due to extended Board tenures, and collectively evaluates the re-election of such Board members. The Executive Directors, other than the Chairman, are re-elected in a manner that is similar to the re-election of Non-Executive Directors.

3.1.8 Board Meetings

3.1.8.1 Regularity of Meetings and Pre-Board Meetings

During the financial year under review, there were four pre-scheduled Board meetings. Each of the pre-scheduled meetings are generally preceded by a Pre-Board meeting, which is usually held on the day prior to the formal Board Meeting. In addition to these Pre-Board meetings, where issues of strategic importance requiring extensive discussions are considered, the Board of Directors communicated regularly as and when required. The attendance at the Board meetings held during the financial year 2018/19 is given overleaf;

Board Meeting Attendance							
Name	Year of Appointment	23/04/2018	23/07/2018	25/10/2018	28/01/2019	Eligibility	Attended
Non-Executive Non-Independent							
Mr. S C Ratnayake (resigned w.e.f 31.12.2018)	2002	present	present	present	N/A	3	3
Mr. K N J Balendra - Chairman*	2018	present	present	present	present	4	4
Mr. J G A Cooray	2018	present	present	present	present	4	4
Executive Non-Independent							
Mr. J R Gunaratne (resigned w.e.f 30.06.2018)	2004	present	N/A	N/A	N/A	1	1
Mr. D P Gamlath	2017	present	present	present	present	4	4
Non-Executive Independent							
Ms. S T Ratwatte	2016	present	present	present	present	4	4
Mr. M Hamza	2015	present	present	present	present	4	4
Dr. R S W Wijeratnam	2016	absent	present	present	present	4	3

*Appointed as the Chairman on 01.01.2019

3.1.8.2 Timely Supply of Information

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

3.1.8.3 Board Agenda

The Chairman ensured that all Board proceedings were conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2018/19 entailed ratification of Circular Resolutions, discussion of matters arising from the previous minutes, status updates of major projects, review of performance, strategy formulation, approval of quarterly and annual financial statements, ratification of capital expenditure, among others.

3.1.8.4 Board Secretary

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

3.1.9 Time Dedicated by Non-Executive Directors

The Board has dedicated adequate time for the fulfillment of their duties as Directors of the Group.

In addition to attending Board meetings the Directors contributed to decision making via Circular Resolutions and one-on-one meetings with key management personnel, when necessary.

3.1.10 Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2018/19. 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 an 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. This process has led to an improvement in the Board dynamics and its effectiveness.

3.1.11 Managing Conflicts of Interests and Ensuring Independence

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

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

Corporate Governance Commentary

Prior to Appointment

- Nominees are requested to make known their various interests

Once Appointed

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

During Board Meetings

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

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

Definition	Status of Conformity of NEDs
1. Shareholding carrying not less than 10 per cent of voting rights	None of the individual EDs or NED/IDs shareholding exceeds 1per cent
2. Director of another Company*	None of the NED/IDs are Directors of another related party Company as defined
3. Income/non-cash benefit equivalent to 20 per cent of the Director's income	NED/ID income/cash benefits are less than 20 per cent of individual Director's income
4. Employment at CCS two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at CCS or any of its subsidiaries or JKH Group
5. Close family member is a Director or a Key Management Personnel	No family members of the EDs or NED/IDs is a Director of a related party Company
6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	No NED has served on the Board for more than nine years
7. Is employed, has a material business relationship and/or significant shareholding in other Companies*. Also entails other Companies that have significant shareholding in the JKH Group and/or JKH has a business connection with	None of the NED/IDs are employed, have a material business relationship or a significant shareholding of another related party Company as defined

** Other Companies in which a majority of the other Directors of the listed Company are employed or are Directors or have a significant shareholding or have a material business relationship.*

Summary of Non-Executive Independent Directors' Interests and Conformity

	Shareholding	Management Director	Material Business Relationship	Employed by the Group	Family Member a Director	Continuously Served for More than Nine Years
	(1)	(2)	(3)	(4)	(5)	(6)
Ms. S.T. Ratwatte	No	No	No	No	No	No
Mr. M. Hamza	Yes	No	No	No	No	No
Dr. R.S.W. Wijeratnam	No	No	No	No	No	No

3.1.11.1 Details in Respect of Directors

In addition to the Director profiles given in the Report, the following table illustrates the total number of Board seats (excluding Group Board seats) held in other listed Companies (outside the Group) by each Director.

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

3.1.12 Director Remuneration

3.1.12.1 Executive Director Remuneration

The Human Resources and Compensation Committee of JKH is responsible for determining the compensation of the Executive Directors of the Group.

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

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

Total aggregate of Executive Directors remuneration for the year was Rs.23.4 million.

3.1.12.2 Non-Executive Director Remuneration

Compensation of Non-Executive Directors (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 Directors 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.

Total aggregate of Non-Executive Director remuneration for the year was Rs. 6.9 million.

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:

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

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

3.2 Board Sub-Committees

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

The five Board Sub-Committees are as follows;

i. Audit Committee

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

iii. Nominations Committee of the Parent Company – JKH PLC

iv. Related Party Transaction Review Committee of the Parent Company – JKH PLC

v. Project Risk Assessment Committee of the Parent Company – JKH PLC

Corporate Governance Commentary

3.2.1 Audit Committee

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

The CCS Audit Committee comprises of 3 Non-Executive Independent Directors where one of them having current membership of a reputed accountancy body. The CCS Audit Committee had seven meetings during the year and attendance of the Audit Committee members are indicated in the Audit Committee Report.

The Audit Committee consisted of the following members;

Ms. S T Ratwatte - Chairperson
Mr. M Hamza
Dr. R S W Wijeratnam

3.2.2 Human Resources and Compensation Committee of the Parent Company – JKH PLC

Composition	▪ Committee to comprise exclusively of Non-Executive Directors, a majority of whom shall be independent. ▪ The Chairman of the Committee must be a Non-Executive Director. ▪ The Chairman and 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 the Secretary of the Committee.
Scope	▪ Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the Group. ▪ Determine and agree with the Board a framework for remuneration of Chairman and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration. ▪ Succession planning of Key Management Personnel. ▪ Determining compensation of Non-Executive Directors will not be under the scope of this Committee.

The Human Resources and Compensation Committee as of 31 March 2019 consisted of the following Members;

Members
Mr. D A Cabraal - Chairman
Mr. M A Omar
Dr. S S H Wijayasuriya
By Invitation
Mr. K N J Balendra
Mr. J G A Cooray
Mr. S C Ratnayake (Resigned w.e.f. 31.12.2018)

3.2.3 Nominations Committee of the Parent Company – JKH PLC

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

Nominations Committee as of 31 March 2019 consisted of the following Members;

Mr. M A Omar - Chairman
Ms. M P Perera
Dr. S S H Wijayasuriya
Dr. R Coomaraswamy (Appointed w.e.f. 06.11.2018)
Mr. K N J Balendra (Appointed w.e.f. 01.01.2019)
Mr. S C Ratnayake (Resigned w.e.f. 31.12.2018)

3.2.4 Related Party Transactions Review Committee of the Parent Company – JKH PLC

Composition	▪ The Chairman must be a Non-Executive Director. ▪ Must include at least one Executive Director.
Scope	▪ The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group Companies also get reviewed by the Committee, in addition to the requisitions of the CSE. ▪ Develop, and recommend for adoption by the Board of Directors of JKH and its listed Subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group. ▪ Update the Board on related party transactions of each of the listed Companies of the Group on a quarterly basis ▪ Define and establish the threshold values for each of the subject listed Companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed Companies.

Corporate Governance Commentary

3.2.4.1 Report of the Related Party Transaction Review Committee

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

P Perera

N Fonseka

A Cabraal

K Balendra
(appointed on 1 January 2019)

S Ratnayake
(resigned on 31 December 2018)

In addition, the Group Finance Director Mr. Gihan Cooray, Former Group Financial Controller Mr. Suran Wijesinghe (resigned on 31 December 2018), and Group Financial Controller Mohan Thanthirige (appointed on 1 January 2019) attended meetings by invitation. The Head of Group Business Process Review, Mr. Hisham Nazeem, served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and the CSE.

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

- there is compliance with the Code;
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non-recurrent RPTs of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels and Properties PLC, Trans Asia Hotels PLC, John Keells Hotels PLC, Ceylon Cold Stores PLC, Keells Food Products PLC, and Union Assurance PLC. Further, recurrent RPTs were reviewed annually by the Committee. Other significant transactions of non-listed subsidiaries were presented to the Committee for information.

In addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below.

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

P Perera
Chairperson of the Related Party Transaction Review Committee

16th May 2019

3.2.4.2 Related Party Transactions Review Committee meeting attendance

	Eligible to Attend	Attended
Ms. M P Perera - Chairperson	4	4
Mr. D A Cabraal	4	4
Mr. A N Fonseka	4	4
Mr. S C Ratnayake (Resigned w.e.f. 31.02.2018)	3	3
Mr. K N J Balendra (Appointed w.e.f. 01.01.2019)*	4	4
By Invitation		
Mr. J G A Cooray	4	4

**Attended prior meetings by invitation*

3.2.5 Project Risk Assessment Committee - JKH PLC

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

Project Risk Assessment Committee of the John Keells Holdings PLC, the Parent Company of Ceylon Cold Stores PLC, functions as the Project Risk Assessment Committee of the Company and its Subsidiaries. The Committee was appointed on 26th July 2018.

The Project Risk Assessment Committee as of 31 March 2019 consisted of the following Members;

Dr. S S H Wijayasuriya - Chairman
Ms. M P Perera
Mr. K N J Balendra
Mr. J G A Cooray

3.3 Role of Chairman of the Board

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

3.3.1 Chairman Appraisal

The Human Resources and Compensation Committee of the Parent Company JKH, chaired by the Senior Independent Director, appraised the performance of the Chairman on the basis of pre-agreed goals for the Group, set in consultation with the Board. These goals cover the ensuing broad aspects and the Group's performance is assessed both against the goal and peers which involve other listed companies in the Colombo Stock Exchange:

- Creating and adding shareholder value
- Success in identifying and implementing projects
- Sustaining a first-class image
- Developing human capital
- Promoting collaboration and team spirit
- Building sustainable external relations
- Leveraging Board members and other stakeholders
- Ensuring good governance and integrity in the Group

3.4 Group Executive Committee and Other Management Committees

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

Whilst the Chairman, Presidents and Sector Heads are ultimately accountable for the Company/Group and the Industry Groups/Sectors/Business functions respectively, all decisions are taken on a committee structure as described below;

3.4.1 Group Executive Committee (GEC)

As at 31st March 2019, the 6-member GEC consisted of the Chairman, JKH Group Deputy Chairman /Finance Director and the Presidents/Sector Heads of each business/function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairman, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources.

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure. The GEC meets twice a month, in addition to the meetings that are scheduled as necessitated by the requirements of the Group.

Corporate Governance Commentary

3.4.2 Group Operating Committee (GOC)

As at 31st March 2019, the 22-member GOC consisted of the Chairman, JKH Group Deputy Chairman/Finance Director, the Presidents and the Executive Vice Presidents. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions. The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units.

3.4.3 Sector Management Committee (SMC)

The SMC's of the Consumer Food and Retail Industry Groups operate under the leadership of the respective President/ Sector Head 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.

3.4.3.1 Key Objectives of the SMC

The underlying intention of the SMC 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.

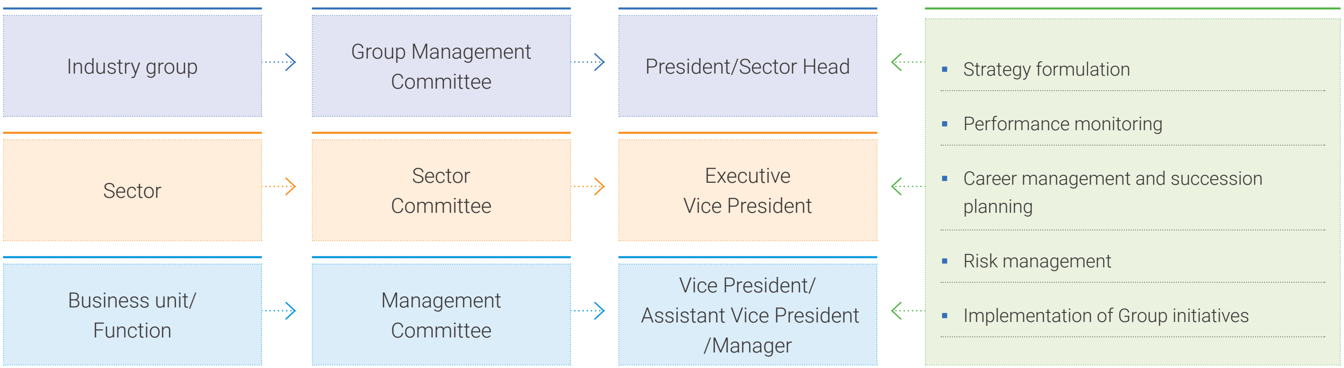
3.4.3.2 Scope of the SMC

The agenda of the SMC 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 SMC is vested upon the President/Sector Heads and the functional heads as applicable.

The SMC 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/Sector Head and functional heads where applicable.

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

Illustrated below is the structure of the three Committees;



3.5 Employee Empowerment

Policies, processes and systems are in place to ensure effective recruitment, development and retention of this vital stakeholder, given the importance of employees for the growth of the organisation. The bedrock of these policies is the Group's competency framework. To support these policies, the Group continued with, and further strengthened, the following practices;

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans
- Decision rights were defined for each level of employment in order to instill 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
- 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 all its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race, religion, gender identity or sexual orientation, and promotes workplaces which are free from physical, verbal or sexual harassment.

In furtherance of this, the Group continued its CSR Initiative Project WAVE (Working Against Violence through Education) aimed at combating gender based violence and child abuse through awareness creation. The Group has also embarked on a project to create greater awareness among employees regarding gender identity and sexual orientation, towards building a truly inclusive culture within the Group. Additionally, the Group strives to incorporate these practices, where relevant, in the supply chain contracts entered into by the Group.

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 practice.

i. Strategy formulation and decision making process

ii. Human resource governance

iii. Integrated risk management

iv. IT governance

v. Stakeholder management and effective communications

vi. Sustainability governance

4.1 Strategy Formulation and Decision Making Processes

4.1.1 Strategy Mapping

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

This exercise entails the following key aspects, among others.

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

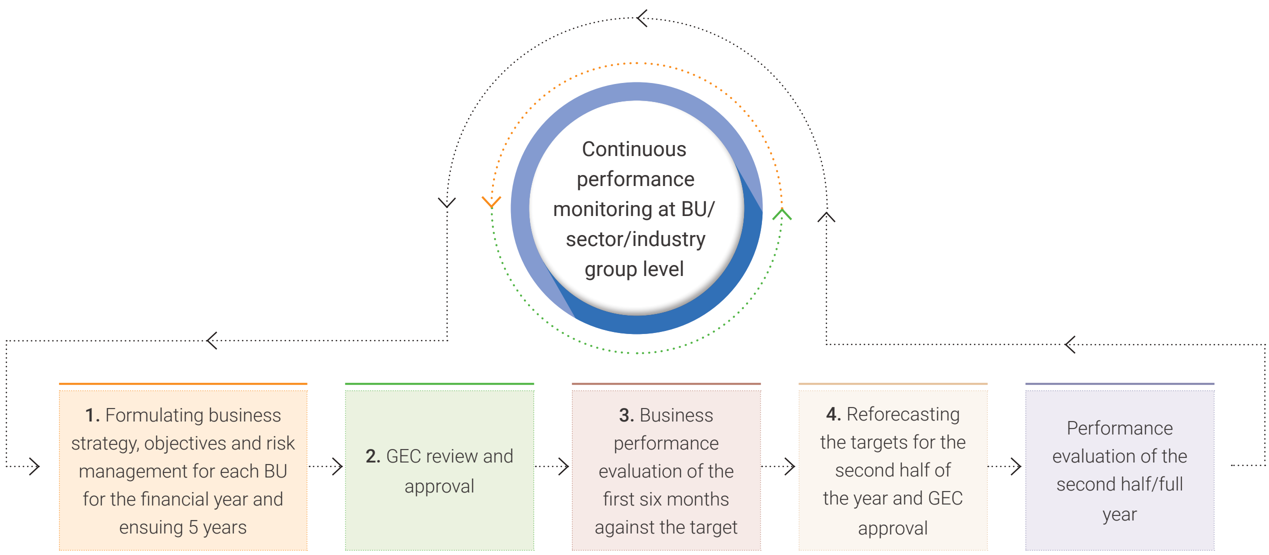
The strategies of the various business units, operating in diverse industries and markets, will always revolve around the Group strategy, while considering their domain specific factors. The prime focus always is to enhance value for all stakeholders.

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

In this manner:

- Several views, opinions and advice are obtained prior to making an investment decision.
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability and tax implications.
- All investment decisions are consensual in nature, made through the afore-discussed management committee structure where no single individual has unfettered decision making powers over investment decisions
- The ultimate responsibility accountability of the investment decision rests with the Chairman.

The following section further elaborates on the JKH Group's project appraisal and execution process.



Corporate Governance Commentary

4.1.2 Medium-term Strategy

In 2017-18, in liaison with international consultants, where applicable, the Group underwent a comprehensive strategy session for the medium term which focuses on the ensuing 5 years. During the year under review, each business unit monitored the five-year strategy and business plan, formulated deviation strategies and presented rolling five-year strategies which was approved by the Group Executive Committee.

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

Values and Promises

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

Brand and Business Review

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

Brand Plan

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

Long-term Business Plan

- Setting of a long-term goal and agreeing on the core pillars that would deliver growth
- Target setting, scheduling activities and identifying workstreams to execute long-term initatives.
- Identtifying operating and capital expenditure along with capability resources

Annual Business Plans

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

Performance Measurement

Measure of performance against:

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

4.1.3 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, but encompasses a wider scope of work covering risk management, sustainable development and HR considerations.

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

Social and environmental impacts will also be considered. Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and state land. In case of state land, every action would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained. Where the project is a part of privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interests, request for proposals, pre-bid meetings and official approvals and correspondence.

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

The aforementioned Project Appraisal Framework flow is illustrated below;

Risk management

Project origination → Feasibility study → Review by the GEC → Due diligence → Board/GEC approval

Sustainability management

Legal, regulatory and HR requirements/framework

4.2 Human Resource Governance

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

The Group performance management dynamics and compensation policy is explained in the ensuing sections.

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.

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

4.2.2 Performance Based Compensation Philosophy

The JKH Group Compensation Policy is as follows:

Performance Management

"Pay for performance"

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

Satisfaction

"More than just a workplace"

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

Compensation Policy

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

Internal Equity

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

External Equity

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

Corporate Governance Commentary

4.2.2.1 Equity Sharing

Employee Share Option Plans are offered at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long-term incentives have been very instrumental in inculcating a deep sense of ownership in the recipients. Share options are awarded to individuals on the basis of their immediate performance and potential importance of their contribution to the Group's future plans.

4.3 Integrated Risk Management

CCS Group-wide risk management programme focuses on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress test various risk scenarios. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving stakeholder wealth. The Group manages its enterprise risk, audit, and incident management processes through an automated risk management platform that was introduced in 2016/17. This platform enables the maintenance of live, dynamic and virtual risk registers which are linked to business goals and responsible personnel. Features such as the provision of timely alerts on action plans and escalation processes for risks where action plans are over-due ensure maintenance of live risk grids.

Continuous steps taken towards promoting the Group's integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/ procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks.

The Board, GEC and Group Risk Management Committees, oversee risk management across the Group to ensure that risks are brought within tolerance, managed and/or mitigated.

Please refer the Enterprise Risk Management Report for a detailed discussion on the Group's Integrated Risk Management process and the key risks identified in achieving the Group's strategic business objectives.

4.4 Information Technology (IT) Governance

IT governance stewardship roles are governed through layered and nested committees, cascading from the GEC to the Group IT Management Committee to the Group IT Operation Committee with well-defined roles and responsibilities at a Group, sector and business unit level.

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), ISO35800, ISO27001, ISO9000:2008, COSO (Committee of Sponsoring Organisations of the Tread way Commission)/BCP (Business Continuity Planning), ITIL(Information Technology Infrastructure Library), in providing a best of breed framework. The Group periodically tests its business resilience against the centrally hosted/facilitated IT services which provides an opportunity to identify limitations and areas for further improvement in the IT infrastructure.

During the year under review, the Group migrated identified software systems and processes to the cloud given its ability to make workflow more efficient and scalable. The cyber resilience programme was also revisited concurrently, with a revamped set of policies, procedures and methods put in place to cater to the evolving hybrid cloud environment and digitisation requirements of the Group, in order to strengthen the cyber security posture. Other initiatives also included the data classification and rights managements initiatives for data and two-factor authentication for employee accounts as an extra layer of security that requires not only a user name and password but also an input based on an item the employee has on them.

The Managed Security Operations Center (SOC) implemented in year 2017-18, continues to perform as per expectations, strengthening the Group's IT infrastructure against vulnerabilities, thereby preventing, detecting, analysing, and responding to cyber security incidents.

4.5 Stakeholder Management and Effective Communication

Following are the key stakeholder management methodologies adopted by the Group. A detailed discussion is given in the Materiality and Stakeholder Relationship section of the Annual Report.

Employees

- Accessibility to all levels of the management
- Various means for employee involvement
  - Corporate Communications
  - JK Forum
  - Young Forum
  - John Keells Employee Self Service (JESS)
  - HIVE
  - Staff Volunteerism

Other Key Stakeholders

- Provision of formal and sometimes informal, access to other key stakeholders

Government

- Transactions in compliance with all relevant laws and regulations, transparently and ethically
- Zero tolerance policy in ensuring that all business units meet their statutory obligations in time and in full

Shareholders/Investors

- Presence of an investor relations team
- Social media presence Prompt release of information to public/ CSE
- Effective communication of AGM related matters
- Measures in place in case of serious loss of capital

Customers/Suppliers

- Providing of quality and safe products
- Constant engagement with customers
- Procedures to ensure long term business relationships with suppliers

4.5.1 Communication with Shareholders

The primary modes of communication between the Group and the shareholders are through the announcements made to the CSE, Annual Reports, Quarterly Reports and the Annual General Meeting (AGM).

4.5.1.1 Investor Relations

The Investor Relations team of the JKH Group is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, analysts 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, the Director or the Chairman. Further, individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

4.5.1.2 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. Accordingly, the CCS Group has reported a true and fair view of its financial position and performance for the year ended 31st March 2019 and at the end of each quarter of the financial year 2018/19.

All other material and price sensitive information about the Group is promptly communicated to the CSE and such information is also released to employees, the press and shareholders. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or to the Management of CCS. Such questions, requests and comments should be addressed to the Company Secretary.

The Group focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Group ensures that information is communicated accurately and in a manner that will avoid the creation or continuation of a false market.

4.5.1.3 Annual General Meeting

Information is provided to the shareholders prior to the Annual General Meeting (AGM) to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Group. Shareholders are provided with the Annual Report of CCS in CD form. Shareholders may at any time elect to receive an Annual Report from CCS in printed form, which is provided free of charge.

Corporate Governance Commentary

The Group 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 the AGM are clearly communicated
- All Executive and Non-Executive Directors are made available to answer queries
- The Chairman ensures that the relevant senior managers are also available at the AGM to answer specific queries
- Separate resolutions are proposed for each item
- Proxy votes, those for, against, and withheld are counted

4.5.1.4 Serious Loss of Capital

In the unlikely event that the net assets of the Company fall below half of its stated capital, shareholders will be notified and the requisite resolutions would be passed on the proposed way forward.

4.6 Sustainability Governance

CCS Group places great importance on sustainable development. The Group believes that its financial performance and brand image are closely aligned with sound Corporate Governance practices, product and service excellence, a productive workforce, environmental stewardship and social responsibility.

5 Assurance Mechanisms

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

5.1 The Code of Conduct

CCS Code of Conduct

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

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

The Group Values continue to be consistently referred to by the Chairman, President/ Sector Head, and Business Unit Heads during employee and other key stakeholder engagements, in order to instill these values in the hearts and DNA of the employee.

5.2 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.

5.3 Board Sub-Committees

The JKH Board Sub-Committees play an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board. For more information on the Board Sub-Committees section refer section 3.2 of this Report.

Please refer Audit Committee report for details about the role played by the Audit Committee of CCS Group.

5.4 Employee Participation in Assurance

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

- Skip level meetings
- Exit interviews
- Young Forum meetings
- 360 degree evaluation
- Employee surveys
- Monthly staff meetings
- Ombudsperson
- Continuous reiteration of the "Open-Door" policy

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.

5.5 Internal Controls

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

5.5.1 Internal Compliance

A quarterly self-certification programme requires the President/Sector Head and Chief Financial Officer of the Group to confirm compliance with statutory and other regulatory procedures, and also identify any significant deviations from the expected norms.

5.5.2 System of Internal Control

The Board has, through the involvement of the Group Business Process Review function, taken steps to obtain assurance that systems, designed to safeguard the Group's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations.

This also entails automated monitoring and workflow based escalation in order to facilitate timely clearing of all transactional entries including complete reconciliation, unreconciled and open entries being flagged and periodically scrutinised, and formal disclosure being made to the relevant Audit Committees, efficient management and tracking of cash and cheque deposits, in line with international best practice and continual streamlining and optimisation of the Internal Audit function, via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.

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

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

The CCS Group is very aware of the need to ensure that no individual has excessive system access to execute transactions across an entire business process or business processes which have critical approval linkages. The increasing use of information technology and integrated financial controls creates unintended exposures within the Group. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is 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 versus benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, the Group continued to take steps, to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale.

5.5.4 Internal Audit

The Group internal audit process is conducted by outsourced parties at regular intervals, co-ordinated 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 Group, reviews the important internal audit findings and follow-up procedures.

Whilst there are merits and demerits associated with outsourcing an internal audit, the Group is of the view that having an external based auditor is more advantageous.

5.5.4.1 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 Group operates in a complex and dynamic business environment where the number of transactions has increased exponentially over the years and the traditional cyclical/sample based internal auditing techniques are becoming less effective. As such, the Group continues to use "big data analysis" techniques on the total data using Standard Deviations and Z-Scores in establishing real time, user-friendly "outlier identification" and "early warning triggers".

5.6 Ombudsperson

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

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

On matters referred to him by the Ombudsperson, the Chairman or the Senior Independent Director of JKH Group, as the case maybe, will place before the Board:

i. the decision and the recommendations;
ii. action taken based on the recommendations;
iii. where the Chairman or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

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

Corporate Governance Commentary

Report of the Ombudsperson

Mandate and Role

For purposes of easy reference, I set out below the Ombudsperson's mandate and role:

(a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;

(b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairman/CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;

(c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

The mandate excludes disciplinary issues from the Ombudsperson's responsibilities. The right to take disciplinary action is vested exclusively in the Chairman/CEO and those to whom this authority has been delegated.

No issues were raised by any member of the companies covered during the year under review.

Ombudsperson

16th May 2019

5.7 External Audit

Messrs. Ernst & Young is the External Auditor of the Company as well as of the Subsidiaries. They also audit the consolidated financial statements of the Group.

In addition to the normal audit services, Messrs. 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.

6. Regulatory and Accounting Benchmarks

This section entails, among others, the regulations which govern all JKH corporate activities from the Companies Act to Listing Rules of the CSE, rules of the SEC and the benchmarks set for the Group in working towards local and global best practices.

The Board, through the Group Legal division, the Group Finance division and its other operating structures, strived to ensure that the Company and all of its subsidiaries and associates complied with the laws and regulations of the countries they operated in.

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

CCS Group is fully compliant with all the mandatory rules and regulations stipulated by the:

- Corporate Governance Listing Rules published by the CSE; and
- Companies Act No. 07 of 2007

The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by CA Sri Lanka and the SEC 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 the Group has not adopted such best practice, the rationale for such non-adoption is articulated.

7. Compliance Summary

Towards the continuous stride in achieving a more cohesive and efficient approach to corporate reporting, and in order to keep the report relevant and concise, the ensuing sections reflect a high-level summary of Group's conformance with standards and governance codes.

7.1 Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

Mandatory Provisions - Fully Compliant

Rule		Compliance Status	Reference in Annual report
(i)	Names of persons who were Directors of the Entity	Yes	Annual Report of the Board of Directors
(ii)	Principal activities of the entity and its Subsidiaries during the year, and any changes therein	Yes	Operational Review Report, Annual Report of the Board of Directors and Financial Statements
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Your share in detail
(iv)	The public holding percentage	Yes	Your share in detail
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes	Annual Report of the Board of Directors
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Enterprise Risk Management Report
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	During the year 2018/19, there were no material issues pertaining to employees and industrial relations of the Group	
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Group Real Estate Portfolio
(ix)	Number of shares representing the Entity's stated capital	Yes	Your share in detail
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Your share in detail
(xi)	Financial ratios and market price information	Yes	Your share in detail and Key Figures and Ratios
(xii)	Significant changes in the Company's or its Subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Notes to the Financial Statements
(xiii)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Commentary
(xiv)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Annual Report of the Board of Directors and Financial Statements

Corporate Governance Commentary

7.2 Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

Mandatory Provisions - Fully Compliant

CSE Rule		Compliance Status	Reference in CCS Annual report
7.10	**Compliance**		
a./ b./c.	Compliance with Corporate Governance Rules	Yes	CCS Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1	**Non-Executive Directors (NED)**		
a./ b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	5 out of 6 Board members are NEDs. The CCS Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time.
7.10.2	**Independent Directors**		
a.	2 or 1/3 of NEDs, whichever is higher shall be "independent"	Yes	3 out of the 5 NEDs are independent
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 3 Independent NEDs have submitted signed confirmation of their independence.
7.10.3	**Disclosures relating to Directors**		
a./b.	Board shall annually determine the independence or otherwise of NEDs	Yes	Each NED discloses a formal declaration to the Board of all their interests on an annual basis
c.	A brief resume of each Director should be included in the Annual Report including the directors' experience	Yes	The Board of Directors section
d.	Provide a resume of new Directors appointed to the Board along with details	Yes	The Board of Directors section
7.10.4	**Criteria for defining independence**		
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance Commentary- Section - Managing Conflicts of Interests and Ensuring Independence
7.10.5	**Remuneration Committee**		
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee of the Parent Company only comprises of Independent NEDs.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairman of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the Executive Directors	Yes	The remuneration of the Executive Director is determined as per the remuneration principles of the JKH Group, and as recommended by the Human Resources and Compensation Committee.
c.1	Names of Remuneration Committee members	Yes	Corporate Governance Report – The Human Resources and Compensation Committee
c.2	Statement of Remuneration policy	Yes	Corporate Governance Report – The Human Resources and Compensation Committee
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	Annual Report of the Board of Directors and Financial Statements

CSE Rule		Compliance Status	Reference in CCS Annual report
7.10.6	**Audit Committee**		
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs.
a.2	A NED shall be the Chairman of the committee	Yes	Chairman of the Audit Committee is an Independent NED.
a.3	President/Sector Head and Chief Financial Officer should attend AC meetings	Yes	The President/Sector Head and Chief Financial Officer, are permanent invitees to all Audit Committee meetings.
a.4	The Chairman of the AC or one member should be a member of a recognized professional accounting body	Yes	The Chairperson of the Audit Committee is a member of a recognized professional accounting body.
b.	The Functions of the Audit Committee as set in the CSE Listing Rules 7.10.6		
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The Audit Committee Report
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Yes	The Audit Committee Report
b.3	Overseeing the process to ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	The Audit Committee Report
b.4	Assessment of the independence and performance of the Entity's External Auditors	Yes	The Audit Committee Report
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	The Audit Committee Report
c.1	Names of the Audit Committee members shall be disclosed	Yes	The Audit Committee Report
c.2	Audit Committee shall make a determination of the independence of the external auditors	Yes	The Audit Committee Report
c.3	Report on the manner in which Audit Committee carried out its functions.	Yes	The Audit Committee Report

Corporate Governance Commentary

7.3 Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

Mandatory Provisions - Fully Compliant

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

7.4 Statement of Compliance pertaining to Companies Act No. 07 of 2007

Mandatory Provisions - Fully Compliant

Rule		Compliance Status	Reference in CCS Annual report
168 (1) (a)	The nature of the business together with any change thereof during the accounting period	Yes	Notes to the Financial Statements
168 (1) (b)	Signed Financial Statements of the Group and the Company	Yes	Notes to the Financial Statements
168 (1) (c)	Auditors' Report on Financial Statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Group	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Group	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	Yes	Annual Report of the Board of Directors
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	The Audit Committee Report
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Annual Report of the Board of Directors

7.5 Code of Best Practice on Corporate Governance 2013 issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Voluntary Provisions - Fully Compliant

Directors

- The Group is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen.
- Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.

Directors' Remuneration

- The Human Resource and Compensation Committee, consisting of exclusively NEDs of JKH Group is responsible for determining the remuneration of President and EDs.
- ED compensation includes performance related elements in the pay structure. Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under Section 3.1.12 and is in line with the Code.

Relationship with Shareholders

- There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.
- The Group has in place multiple channels to reach shareholders as discussed under Section 4.5.1.

Accountability and Audit

- Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the Group carried out all business in accordance with regulations and applicable laws, equitably and fairly.
- The Group continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements.
- There is an annual review of effectiveness of Internal Control which ensures the maintenance of a sound system of internal control.
- The Internal Audit function and the Audit Committee, functions as stipulated by the Code.

Institutional Investors

- The Group conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.

Other Investors

- Individual shareholders investing directly in shares of the Group are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.

Sustainability Reporting

- The Group places emphasis on sustainable development and value creation. The Group's Sustainability Management Framework includes strategies for entrenchment of sustainability through awareness creation, monitoring and sustainability assurance.
- The Report is prepared "in accordance-Core" of the Global Reporting Initiative (GRI) G4 Guidelines

7.6 Code of Best Practices on Corporate Governance (2017) issued by CA Sri Lanka

The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency and as required by the John Keells Group.

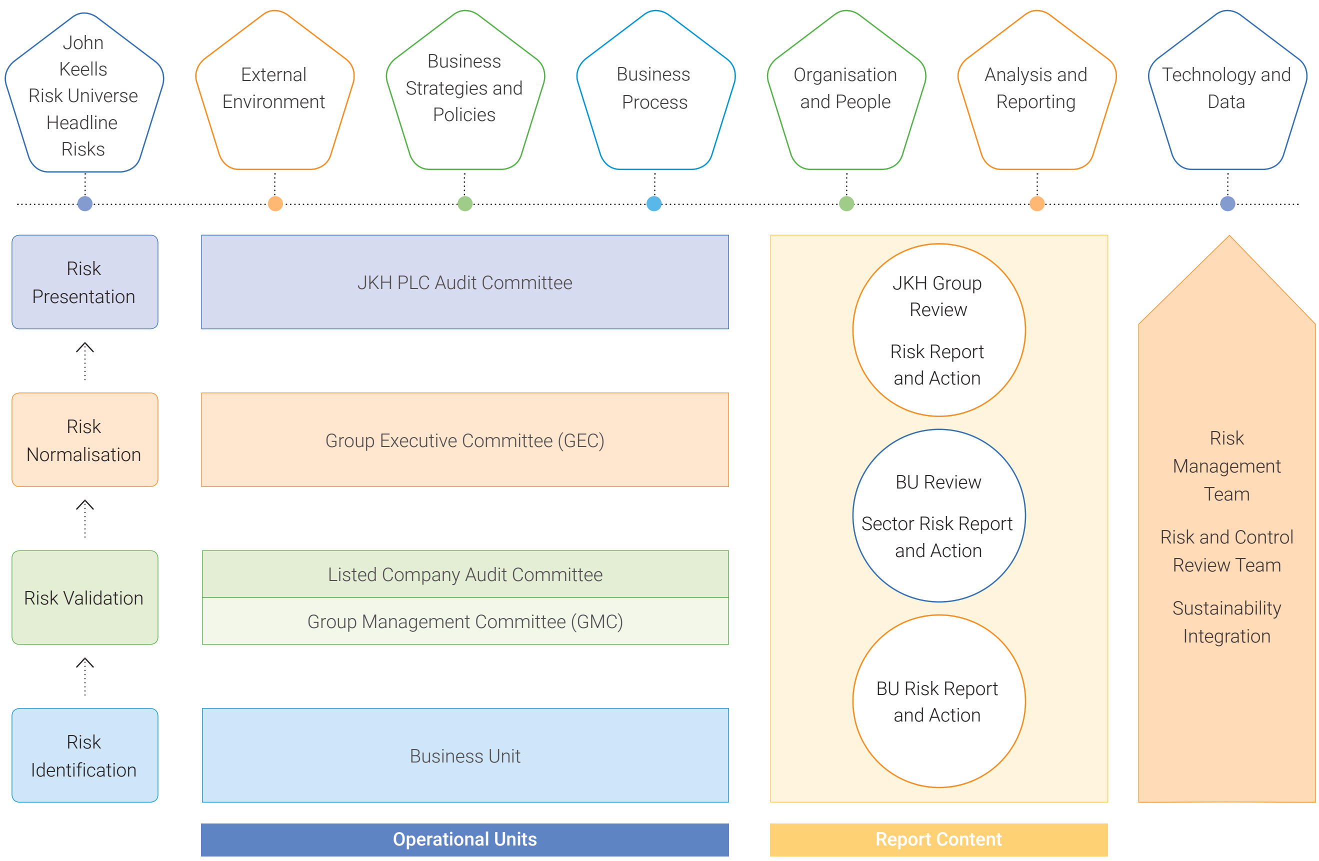
Enterprise Risk Management

Risk management is an integral part of the strategic decision making process of the Group. The Annual Risk Management cycle begins with a detailed discussion with the JKH Enterprise Risk Management division on the identification of impacts, likelihood and velocity of risks, as well as preventive, detective and corrective mitigation plans of the identified risks. Risk identification and assessment is facilitated through a quarterly risk review where 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 could impact the Company. As such the Company assesses if the ratings are in-line with the changing macroeconomic and operating environments. The entire risk management process is now carried out completely via an online Enterprise Risk Management Platform which further enhances transparency and ownership of all risk-related responsibilities and ensures that risk management is carried out in a dynamic manner.

Individual business units are the ultimate owners of its risks and are responsible for reviewing their risk assessment forms on a quarterly basis. Identified risks are then validated at the Management Committees and presented to the Audit Committee. The outcomes of the Company risk review is considered by the JKH ERM division in consolidating risks for the John Keells Group. The risk management cycle is concluded with the distribution of a Group Risk Report, which is compiled by the JKH Enterprise Risk Management division, containing risk profiling and analysis, to the John Keells Group Audit Committee.

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

Table 1 - JKH Group Risk Management Process



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

i. Identification of types of Risk

A Risk Event - Any event with a degree of uncertainty which, if it occurs, may result in the Organisation or Business Unit failing to meet its stated objectives.

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

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

Based on JKH Group Guidelines, risk grids are established for the Company and its Subsidiaries. Every risk is analysed in terms of likelihood of occurrence and severity of impact assigning a number ranging from 1 (low probability/impact) to 5 (high probability/impact) to signify the probability of occurrence and the level of impact to the Organisation.

Please see Table 2 for further details.

iii. Establishment of Level of Risk based on the Risk Rating Grid

Based on the values assigned for each individual risk, using the matrix given in Table 2, a level of risk is established by multiplying the likelihood of occurrence with severity of impact.

Quarterly Review of the Risks Identified Using Risk Framework by the Company

It is the responsibility of the President/Sector Head of each business unit to ensure that each risk item is tracked over the course of the year and that the mitigation actions identified during the risk review process are being carried out adequately. This results in a dynamic risk document that is updated based on internal and external environment.

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 Group.

Table 2 - Guideline For Rating Risks

Impact /Severity						
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
		Rare/Remote to occur	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur
		1	2	3	4	5

Occurrence/Likelihood

Priority Level	1	2	3	4	5
Colour Code	Ultra high	High	Medium	Low	Insignificant
Score	13-25	10-12	7-9	3-6	1-2

Enterprise Risk Management

Risk Universe

The Risk Universe is a categorisation of each risk identified and analysed in to seven broad themes as defined by the John Keells Group. The risk universe of the Company and the Subsidiaries is tabulated in Table 3.

Table 3 - Risk Universe

Headline Risk	External Environment	Business Strategies and Policies	Business Process	Organisation and People	Analysing and Reporting	Technology and Data	Sustainability and CSR
Related Risks	Political	Reputation and Brand Image	Internal Business Process	Leadership/Talent Pipeline	Performance Measurement and Reporting	Technology Infrastructure/ Architecture	Sustainability Strategy
	Competition	Governance	Operations – Planning, Production, Process	Training and Development	Budgeting/ Financial Planning	Technology Reliability and Recovery	Biodiversity and Climate Change
	Catastrophic Loss	Capital and Finance	Operations – Technology, Design, Execution, Continuity	Human Resource Policies and Procedures	Accounting/ Tax	Data relevance, Processing and Integrity	Natural/ Sustainable Resource Utilization
	Stakeholder Expectations	Strategy and Planning	Interdependency	Ethics	Internal/ External Reporting and Disclosures	Cyber Security	Community Investment and Philanthropy
	Macro Economic	Business/Product Portfolio	Customer Satisfaction	Fraud and Abuse		Information Technology processes	Financing and Tax
	Foreign Exchange & Interest Rates	Organisation Structure	Legal, Regulatory, Compliance and Privacy	Attrition		Cloud computing	Oversight/ Monitoring/ Compliance
	Weather & Climate	Innovation and R&D	Property and Equipment Damage and Breakdown	Knowledge and Intellectual Capital			Goal Congruence/ Dependence
		Investment, Mergers, Acquisitions and Divestments	Vendor/Partner Reliance	Employee Relations and Welfare/Health and Safety			
		Treasury, Hedging and Insurance		Performance Management and Compensation			

Sustainable Risk Management

Risk Management process of the Group is intrinsically interwoven with sustainability and CSR and forms the foundation for the engagements with internal and external stakeholders. The Risk Management process extends to its value chain as the Group seeks a holistic approach of management and mitigation of risk entrenching it with GRI topics and guidelines. Risk Management therefore extends beyond managing the operational and financial risk faced by the Company but encompasses macro-economic, environmental, community, employees, value chain and other risks related to the triple bottom-line approach of the Company.

Risk Management during the Reporting Year

All high level risks are reviewed by the Company Management Committee headed by the President/Sector Head of the Industry Group as a means of validating the risk management process at business unit level. The significant risk areas that impact the achievement of the strategic business objectives of the Manufacturing segment which includes Ceylon Cold Stores PLC (CCS) and The Colombo Ice Company (Pvt) Ltd (CICL) and Retail segment which includes JayKay Marketing Services (Pvt) Ltd (JMSL) and the measures taken to address these risks are discussed 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 the cost base of the Group. In addition to increasing costs, Consumer spending is also impacted by these macro-economic factors and negative impacts put pressure on the topline of the Group. Continuous review of macro-economic conditions and consumer behaviour through market surveys helps the Group to identify and address the risk of contraction in consumer spending. The Group manages the risk in exchange rates by entering into forward contracts and using other risk hedging instruments when appropriate. The Company manages the interest rate risk using a mix of fixed and variable rate debt, taking advantage of the changes in the market rates. Guidance from the Group Treasury division of JKH has been helpful in managing these risks.

For the manufacturing segment (CCS and CICL), cost of production is largely dependent on 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 significantly impact the cost.

For CCS Group, negative impacts from unexpected changes in tariffs, government policies and regulatory requirements cannot be readily passed on to the customer and such changes adversely affect the profitability. Mitigation strategies for this risk include, development of alternative suppliers locally for raw materials to enjoy tariff benefits where available and lobbying for stable government policies by maintaining ongoing dialogue with the government along with other players in the market.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Macro - Economic Environment, Changes in Interest Rates Exchange Rates, Taxes and Tariffs	External Environment	High	High

2. Product Liability

While the core risk of the manufacturing segment (CCS and CICL) is product liability arising due to a fault in the product, the core risk of the retail segment (JMSL) is the erosion of brand value due to food poisoning.

The risk mitigation strategy includes, certifying the manufacturing processes as per ISO 9001(2008) and ISO 22000, comprehensive quality assurance process, adherence to Good Manufacturing Practices (GMP), and stringent Food Safety Standards, in addition to rules and regulations enacted by the Government. The Company possesses a comprehensive product traceability and product recall process in case of an event warranting such actions.

At JMSL, a near-expiry product tracking process is in place where the products are physically examined to identify near expiry items. This process is carried out daily in the case of chilled dairy, fish and meat items, and monthly for dry items. Chiller and freezer temperatures are monitored daily and logged to ensure the consistency of performance of refrigeration units. Quality controls are in place at the point of receiving meat and fish to the stores where the temperature of the consignment is checked prior to acceptance. Further, the store staff are trained regularly on maintaining quality and freshness of the fresh produce.

All the Companies of the Group are equipped with hotlines, manned by trained call centre agents, available for customers and other stakeholders to engage with them directly in case of complaints/suggestions and an internal mechanism is in place to promptly address such communications.

Adherence to the existing control measures is ensured by regular internal audits of the outlets by an independent internal audit team. The management regularly monitors the audit reports and matters arising from such reports are promptly acted on.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Product Liability Risk	Business Process	Medium	Medium

3. Natural Disasters and Fire

The Group's manufacturing facilities are potentially exposed to the risk of a catastrophic fire or a natural disaster which may render the facility inoperable for a significant period. Although the likelihood of such an event is low, the impact would be significant. This risk is mitigated by having the right processes to minimise the risk of fire, infrastructure to detect and extinguish fires as well as carrying out periodic fire drills, registered with the fire brigade for effective response, and audits by independent experts on fire safety. In addition to the above, the Companies have a comprehensive Business Continuity Plan (BCP) to face such extreme events.

For JMSL, this risk is indeed diluted as the stores are spread across a wide geographical area. Nevertheless, each outlet and distribution centre of the JMSL have adequate infrastructure to ensure fire safety while all facilities are comprehensively covered by insurance.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Natural Disasters and Fire Risk	Business Process	Medium	Medium

Enterprise Risk Management

4. Price Volatility of Key Raw Materials

Over the last few years, there has been significant price volatility in the world market as well as in the local market in respect of certain key raw materials in the manufacturing process. CCS and CICL have sought to enter into long-term agreements for key ingredients and packaging materials, wherever possible with local suppliers, without compromising the quality to mitigate risks associated with price volatility as well as availability. Both CCS and CICL have entered into forward contracts to source raw materials to fix the input prices where applicable.

Further, the Company has built a strong relationship with farmer communities and other small-scale local suppliers through our CSR initiatives to ensure consistent supply at stable prices.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Price Volatility of Key Raw Materials	Business Process	Medium	Medium

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

For the manufacturing segment (CCS and CICL), ensuring a safe working environment for its employees remains a top priority to improve the motivation and the productivity of the staff while reducing accidents at the work place. The Company has obtained OHSAS certification, streamlined manufacturing and other processes, and makes continuous process improvements to ensure safe working conditions for its employees. Compliance to the laid down process is monitored via regular audits.

This is an important area for JMSL as well where the Company provides required safety equipment based on work roles and conducts regular training to the staff. The number of injuries which may occur are systematically recorded and analysed in order to understand high risk areas, so that corrective actions could be put in place.

Deterioration of labour relations could result in significant disruptions to operations. The Group maintains good industrial relations with the unions by addressing the concerns of employees on a proactive basis.

CCS, CICL and JMSL invest in developing the skills and expertise of the staff via regular training programmes. JMSL operates the Keells Retail Academy (KRA) to train new recruits as well as continuous refresher training for specialised staff. KRA online, the training portal of the Company launched during the year, facilitates self-directed learnings for employees in addition to being a valuable training tool for trainers. The HR Partner of each store is responsible for on the job training and refresher trainings of the store staff. Further, both Companies conduct employee satisfaction surveys regularly to obtain feedback from employees.

In order to mitigate the risk of losing skilled employees, the Group has established reward and recognition schemes aligned to market levels. The Group firmly believes in succession planning and has in place various personal development programmes to develop skills and capabilities of people to take over higher responsibilities and challenges.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Human Resource, Labour Relations , Loss of Talent, and Health and Safety	Organisation and People	Medium	Medium

6. Ensuring Safety within the Supermarket Premises

For JMSL, the risk of injuries to customers and suppliers within the supermarket premises is a significant risk. As a risk mitigation strategy, the Company builds all new stores in accordance with design guidelines that specifies layout of the outlet to ensure adequate circulation space for unhindered movement, adequate ventilation, and standard safety specifications of equipment and wiring. The merchandising and store operating standards in place help to minimise the risk of accidents to customers and other personnel, and as such the main elements of the standards are included in the Regional Managers' checklist to ensure compliance.

As a corrective measure, all stores are comprehensively covered by insurance.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Ensuring customer safety within the supermarket premises	Business Strategies and Policies	Medium	Medium

7. Supplier Stability, Compliance and Assessment

Both CCS and CICL depend on a few key suppliers for some of the main raw material items due to the cost advantage, quality and ease of supply, and as such, any adverse impact on the sustainability of these suppliers may negatively impact the manufacturing process. CCS and CICL seek to dilute the dependency on key suppliers by developing alternate suppliers while managing the cost. Further, CCS and CICL encourage suppliers to maintain a buffer stock, typically a one month stock, in addition to the buffer stocks carried internally. JMSL shares 3-month rolling forecasts with its top 100 suppliers and they also liaise with suppliers closely for promotions planning.

The Group regularly conducts supplier audits, specifically raw material suppliers of CCS and CICL and suppliers of private label items of JMSL, to ensure compliance with stipulated standards and manufacturing practices. The products are tested at in-house and independent laboratories regularly to ensure compliance to quality standards set by the Group. The Group also encourages and assists the suppliers to obtain ISO/HACCP certification and gives preference to the suppliers who have obtained such standards.

JMSL has a supplier base of more than thousand suppliers and it is a challenge to liaise with all these suppliers to ensure standards of quality and to manage the impact to the environment. To mitigate this risk, all suppliers are required to have quality certifications and approvals as required according to their respective product categories and comply with all laws and regulations including labour regulations.

JMSL holds annual supplier conventions where future plans, expectations and values of the Company are shared with a wide cross section of suppliers, while best performing suppliers are recognised.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Supplier Risk, Stability, Compliance and Assessment	Business strategies and policies	Low	Low

8. Vulnerabilities from Information Technology Related Risks and Unauthorised Control of Critical Assets

Information Technology is a vital component of the operations of the Group. The Group recognises the need for stringent internal controls and IT governance policies and to this effect, the JKH Group IT governance structures and policies are followed. Comprehensive disaster recovery plans are in place to ensure continuity of business operations. A dedicated team of IT professionals manage the IT related risks by maintaining up to date security solutions ensuring compliance to John Keells Group standards, onsite and offsite data backups of key systems, and cloud storage for all users.

Considering its relevance and importance of cyber security, the Group annually tests and reviews the robustness of the security of its critical digital assets.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Vulnerabilities from IT related Risks and Unauthorised Control of Critical Assets	Technology and Data	Low	Low

9. Meeting Quality Expectations

The food manufacturing industry is subject to general risks of food spoilage or contamination, consumer concerns with respect to nutrition and health, and governmental regulations. These risks, if materialised, may impact Company reputation leading to loss of market share and possible litigation. The Company has put in place a quality assurance system, manned by qualified specialists trained in international best practices, deliberate product and process innovations necessary to maintain the Company's competitiveness and mitigate risk of concerns related to health and nutrition.

The Company employs a food nutritionist who validates the nutritional standards of all the products. The Company ensures only ingredients that satisfy international standards are used in its product formulation in order to ensure that the products are of highest quality. The Company also ensures compliance to the quality certifications of HACCP manufacturing practices, ISO 22000/ ISO 9001 certification and continuous process compliance validated by regular internal and external audits.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Meeting Quality Expectations	Business Process	Medium	Medium

Enterprise Risk Management

10. Competitor Activities

Both CCS and CICL face stiff competition from other producers of thirst quenchers and frozen confectionery products including some of the largest multinational brands in the category. JMSL competes with other modern trade chains in addition to the ubiquitous general trade outlets.

The Group focuses on brand development, quality, range of products offered, availability, competitive pricing, effective communications, and superior customer service to differentiate from the competition. JMSL strives to bring innovation to the customer shopping experience, especially in "fresh" areas, to keep themselves ahead of the competition. KPIs to measure improvements in each of these areas are closely monitored by the management and used extensively for decision making as well as developing long term strategies.

The Group engages with the customers frequently via structured market research and brand studies to be abreast of the customer needs. This knowledge is used to develop new products and services both in manufacturing and retailing elements.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Competitor Activities	External Environment	Low	Low

11. Failure of Control Measures to Prevent Fraud

The Company and Subsidiaries promote 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. Apart from legal consequences of fraud and corruption, improper acts could potentially damage the brand image, reputation and financial position of the Group.

The management has put in place a strong set of internal controls to protect the Group and its resources from fraud and malpractices. Segregation of duties, clearly defined authorisation limits, operating manuals, detective and preventive controls, and internal and external audit procedures that are independent of each other enable the management to ensure that the operations are carried out as per laid down procedures of the Group.

The Group has made available channels for its employees to alert the management of any wrongdoings by employees, suppliers, contractors or any other relevant stakeholder. In Retail, there is a fully functional whistleblower programme that encourage employees to report any suspicious activity and a reward mechanism is also in place to reward the whistleblowers.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Failure of Control Measures to Prevent Fraud	Organisation and People	Low	Low

12. Breakdown of Critical Equipment

Both CCS and CICL operates multiple production and storage facilities, while JMSL operates retail outlets in many parts of the country. While a facility is often composed of many individual assets, there are a critical few that, if not operational, would prevent the Company from operating effectively or maintaining a safe environment for staff and other stakeholders. Therefore, it is crucial to identify these critical assets and have risk mitigation steps to manage through the lifestyle of such.

Mitigatory actions include, regular monitoring to identify faults, preventive maintenance programmes, maintain in-house maintenance teams and/or maintenance contracts with external service providers and replacement plans for equipment nearing useful life.

Risk item	Headline Risk	2018/19 Risk Rating	2017/18 Risk Rating
Breakdown of Critical Equipment	Business Process	Low	Low


Elephant House
Wonder
fun එකේ
NEXT
LEVEL
එක
Wonder
Berry
Cone
Wonder
Berry
Wonder
Berry
Wonder
Choc
Shock

GRI Index

GRI Standard	Description	Page Number	Section Included
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
1. Organisational Profile			
102-1	Name of the organisation	Inner Back Cover	Ceylon Cold Stores PLC
102-2	Activities, brands, products, and services	8 - 9	About the Company
102-3	Location of headquarters	137, Inner Back Cover	Corporate Information
102-4	Location of operations	137, Inner Back Cover	Corporate Information
102-5	Ownership and legal form	202 - 203, Inner Back Cover	Corporate information, Your Share in detail
102-6	Markets served	9	About the Company
102-7	Scale of the organisation	8 - 9	About the Company
102-8	Information on employees and other workers	52 - 56	Human Capital
102-9	Supply chain	16 - 17	Value Creation Model
102-10	Significant changes to the organisation and its supply chain	33 - 36, 40 - 46	Market Review, Strategy in Action, Operational Review
102-11	Precautionary Principle or approach	102 - 108	Enterprise Risk Management
102-12	External initiatives	4, 32	About this Report, Stakeholder Interactions
102-13	Membership of associations	65	Social and Relationship Capital
2. Strategy			
102-14	Statement from senior decision-maker	24 - 26	Chairman's Message
102-15	Key impacts, risks, and opportunities	33	Market Review
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	3, 94	Our Values, Corporate Governance Commentary
4. Governance			
102-18	Governance structure	77	Corporate Governance Commentary
5. Stakeholder engagement			
102-40	List of stakeholder groups	32	Stakeholder Interactions
102-41	Collective bargaining agreements	56	Human Capital
102-42	Identifying and selecting stakeholders	32	Stakeholder Interactions
102-43	Approach to stakeholder engagement	32	Stakeholder Interactions
102-44	Key topics and concerns raised	33	Market Review
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	137	Notes to the Financial Statements
102-46	Defining report content and topic boundaries	37 - 38	Material Matters
102-47	List of material topics	37 - 38	Material Matters
102-48	Restatements of information	-	N/A
102-49	Changes in reporting	37 - 38	Material Matters
102-50	Reporting period	4	About this Report
102-51	Date of most recent report	4	About this Report
102-52	Reporting cycle	-	Annual

GRI Standard	Description	Page Number	Section Included
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102-55	GRI content index	110 - 114	GRI Index
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GRI 201: Economic Performance			
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103-2	The management approach and its components	47 - 49	Financial Capital
103-3	Evaluation of the management approach	47 - 49	Financial Capital
201-2	Financial implications and other risks and opportunities due to climate change	68	Natural Capital
201-3	Defined benefit plan obligations and other retirement plans	190 - 192	Notes to the Financial Statements
203: Indirect Economic Impacts			
103-1	Explanation of the material topic and its boundary	37 - 38, 59 - 66	Material Matters, Social and Relationship Capital
103-2	The management approach and its components	59 - 66	Social and Relationship Capital
103-3	Evaluation of the management approach	59 - 66	Social and Relationship Capital
203-2	Significant indirect economic impacts	59 - 66	Social and Relationship Capital
204: Procurement Practices			
103-1	Explanation of the material topic and its boundary	37 - 38, 59 - 64	Material Matters, Social and Relationship Capital
103-2	The management approach and its components	59 - 64	Social and Relationship Capital
103-3	Evaluation of the management approach	59 - 64	Social and Relationship Capital
204-1	Proportion of spending on local suppliers	59 - 64	Social and Relationship Capital
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301: Materials			
103-1	Explanation of the material topic and its boundary	37 - 38, 67 - 68	Material Matters, Natural Capital
103-2	The management approach and its components	67 - 68	Natural Capital
103-3	Evaluation of the management approach	67 - 68	Natural Capital
301-1	Materials used by weight or volume	67 - 68	Natural Capital
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302: Energy			
103-1	Explanation of the material topic and its boundary	37 - 38, 69	Material Matters, Natural Capital
103-2	The management approach and its components	69	Natural Capital
103-3	Evaluation of the management approach	69	Natural Capital
302-1	Energy consumption within the organisation	69	Natural Capital
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103-2	The management approach and its components	69 - 71	Natural Capital

GRI Index

GRI Standard	Description	Page Number	Section Included
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305: Emissions			
103-1	Explanation of the material topic and its boundary	37 - 38, 71	Material Matters, Natural Capital
103-2	The management approach and its components	71	Natural Capital
103-3	Evaluation of the management approach	71	Natural Capital
305-1	Direct (Scope 1) GHG emissions	71	Natural Capital
305-2	Energy indirect (Scope 2) GHG emissions	71	Natural Capital
305-4	GHG emissions intensity	71	Natural Capital
306: Effluent and Waste			
103-1	Explanation of the material topic and its boundary	37 - 38, 70 - 71	Material Matters, Natural Capital
103-2	The management approach and its components	70 - 71	Natural Capital
103-3	Evaluation of the management approach	70 - 71	Natural Capital
306-1	Water discharge by quality and destination	70 - 71	Natural Capital
306-2	Waste by type and disposal method	70 - 71	Natural Capital
307: Environmental Compliance			
103-1	Explanation of the material topic and its boundary	37 - 38, 67 - 71	Material Matters, Natural Capital
103-2	The management approach and its components	67 - 71	Natural Capital
103-3	Evaluation of the management approach	67 - 71	Natural Capital
307-1	Non-compliance with environmental laws and regulations	67 - 71	Natural Capital
308: Supplier Environmental Assessment			
103-1	Explanation of the material topic and its boundary	37 - 38, 62	Material Matters, Social and Relationship Capital
103-2	The management approach and its components	62	Social and Relationship Capital
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103-2	The management approach and its components	52 - 56	Human Capital
103-3	Evaluation of the management approach	52 - 56	Human Capital
401-1	New employee hires and employee turnover	52 - 56	Human Capital
403: Occupational Health and Safety			
103-1	Explanation of the material topic and its boundary	37 - 38, 56	Material Matters, Human Capital
103-2	The management approach and its components	56	Human Capital
103-3	Evaluation of the management approach	56	Human Capital
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	56	Human Capital
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103-1	Explanation of the material topic and its boundary	37 - 38, 54 - 55	Material Matters, Human Capital
103-2	The management approach and its components	54 - 55	Human Capital

GRI Standard	Description	Page Number	Section Included
103-3	Evaluation of the management approach	54 - 55	Human Capital
404-1	Average hours of training per year per employee	54 - 55	Human Capital
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408: Child Labour			
103-1	Explanation of the material topic and its boundary	37 - 38, 88 - 89	Material Matters, Corporate Governance Commentary
103-2	The management approach and its components	88 - 89	Corporate Governance Commentary
103-3	Evaluation of the management approach	88 - 89	Corporate Governance Commentary
408-1	Operations and suppliers at significant risk for incident of child labour	62, 88 - 89	Social and Relationship Capital, Corporate Governance Commentary
409: Forced or Compulsory Labour			
103-1	Explanation of the material topic and its boundary	37 - 38, 88 - 89	Material Matters, Corporate Governance Commentary
103-2	The management approach and its components	88 - 89	Corporate Governance Commentary
103-3	Evaluation of the management approach	88 - 89	Corporate Governance Commentary
409-1	Operations and suppliers at significant risk for incident of forced or compulsory labour	62, 88 - 89	Social and Relationship Capital, Corporate Governance Commentary
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103-1	Explanation of the material topic and its boundary	37 - 38, 65 - 66	Material Matters, Social and Relationship Capital
103-2	The management approach and its components	65 - 66	Social and Relationship Capital
103-3	Evaluation of the management approach	65 - 66	Social and Relationship Capital
413-1	Operations with local community engagement, impact assessments, and development programmes	65 - 66	Social and Relationship Capital
416: Customer Health and Safety			
103-1	Explanation of the material topic and its boundary	37 - 38, 61	Material Matters, Social and Relationship Capital
103-2	The management approach and its components	61	Social and Relationship Capital
103-3	Evaluation of the management approach	61	Social and Relationship Capital
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	61	Social and Relationship Capital
417: Marketing and Labelling			
103-1	Explanation of the material topic and its boundary	37 - 38, 62	Material Matters, Social and Relationship Capital
103-2	The management approach and its components	62	Social and Relationship Capital
103-3	Evaluation of the management approach	62	Social and Relationship Capital
417-1	Requirements for product and service information and labelling	62	Social and Relationship Capital
417-3	Incidents of non-compliance concerning marketing communications	62	Social and Relationship Capital
419: Socioeconomic Compliance			
103-1	Explanation of the material topic and its boundary	37 - 38, 66	Social and Relationship Capital, Material Matters
103-2	The management approach and its components	66	Social and Relationship Capital
103-3	Evaluation of the management approach	66	Social and Relationship Capital
419-1	Non-compliance with laws and regulations in the social and economic area	66	Social and Relationship Capital

Financial Reports

Financial Calendar

Year ended 31st March 2019	
1st Quarter Released on	24th July 2018
2nd Quarter Released on	26th October 2018
3rd Quarter Released on	29th January 2019
4th Quarter Released on	22nd May 2019
Annual Report posted on	22nd May 2019
122nd Annual General Meeting on	14th June 2019

Annual Report of the Board of Directors

The Board of Directors of Ceylon Cold Stores PLC has pleasure in presenting their Annual Report which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Operational Review, Risk Management and all other relevant information for year ended 31st March 2019.

The content of this report has also considered the requirements of the Companies Act, No. 07 of 2007, the relevant listing rules of the Colombo Stock Exchange and recommended best reporting practices, such as the rules on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and are also guided by recommended best accounting 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. 07 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 Subsidiaries 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, Ceylon Cold Stores PLC, which are manufacturing, marketing and distribution of beverages and frozen confectionery, remained unchanged.

Subsidiaries

Jaykay Marketing Services (Pvt) Limited

The principal activity of Jaykay Marketing Services (Pvt) Ltd (JMSL), a 100% owned Subsidiary remained unchanged as that of owning and operating of a chain of supermarkets, under the brand "Keells". JMSL also operates and manages the Nexus loyalty programme.

The Colombo Ice Company (Pvt) Ltd

The Colombo Ice Company (Pvt) Ltd (CICL) is a BOI registered Company, 100% owned by Ceylon Cold Stores PLC, incorporated in May 2016. The principal activity of The Colombo Ice Company (Pvt) Ltd is to manufacture, market and distribute of frozen confectionery products. The Company commenced its commercial operations on 12th of June 2018.

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 Group and Company during the financial year 2018/19 and results of their operations are contained in the Chairman's message (pages 24 to 26) and Operational Review section (pages 40 to 71). These reports form an integral part of the Annual Report of the Board of Directors together with the Audited Financial Statements reflect the state of the affairs of the Company and the Group as at 31st March 2019.

Future Developments

An overview of the future developments is given in the Chairman's message (pages 24 to 26) and Operational Review section (pages 40 to 71).

Financial Statements and Auditors' Report

The Financial Statements of the Group and the Company duly signed by the Directors are provided on pages 130 to 201 and the Auditor's Report on the Financial Statements is provided on pages 127 to 129 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 2019.

Going Concern

After considering the financial position, operating conditions, regulatory and other factors the Directors have a reasonable expectation that the Company and the Subsidiaries 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 Accounting 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 137 to 201.

Financial Results and Appropriations

Revenue

The net revenue generated during the year under review by the Company amounted to Rs. 11,625 million (2017/18 - Rs. 13,649 million), whilst the consolidated net revenue of the Group amounted to Rs. 59,060 million (2017/18 - Rs. 50,942 million). An analysis of revenue is given in notes 6 and 12 to the Financial Statements.

Financial Results

The Company recorded a Profit After Tax of Rs. 1,687 million for the year (2017/18 - Rs. 2,377 million) whilst the Consolidated Profit After Tax was Rs. 1,310 million (2017/18 Rs. 2,567 million).

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

For the year ended 31st March	2019 Rs. '000	2018 Rs. '000
Results from operating activities	2,605,644	3,640,211
Finance cost	(646,901)	(31,956)
Finance income	58,472	130,493
	2,017,215	3,738,748
Change in fair value of investment property	25,433	21,599
Share of results of equity accounted investees	-	(9,949)
Profit before tax	2,042,648	3,750,358
Provision for taxation including deferred tax	(732,483)	(1,182,903)
Profit after tax	1,310,165	2,567,455
Unappropriated profit brought forward from the previous year	11,568,431	10,102,361
Amount available for appropriation	12,878,596	12,669,816
Final dividend paid for the previous year	(760,334)	(760,334)
Interim dividend paid	(665,280)	(665,280)
	11,452,982	11,244,202
Adjustments	(1,009)	324,229
Unappropriated profit carried forward	11,451,973	11,568,431

In compliance with LKAS 10, events after the reporting period, the final dividend proposed for 2018/19 has not been recognized as a liability in the Financial Statements.

Provision for Taxation

Provision for taxation has been computed at the rates given in note 19.9 to the Financial Statements.

Segment Reporting

A segmental analysis of the activities of the Group is given in note 6 to the Financial Statements.

Related Party Transactions

The Company's transactions with Related Parties is given in note 42 to the Financial Statements, and have complied with the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities Exchange Commission Directive issued under Section 13(c) of the Securities Exchange Commission Act.

Non-recurrent related party transactions entered into which exceeds the lower of 10% of equity or 5% of the total assets of the Group as per the latest audited financial statements for the year ended 31st March 2018 is given in note 42 of the financial statements.

There were no recurrent related party transactions, where the aggregate value of the transaction exceeded 10% of the consolidated revenue of the Group as per the latest audited financial statements for the year ended 31st March 2018.

The Directors confirm that transactions with related parties in terms of the Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosure have been detailed in note 42 to the Financial Statements as well as that the requirements as per the listing rules of the Colombo Stock Exchange have been complied with.

Corporate Donations

During the year the Group made donations amounting to Rs. 27 million (2017/18 – Rs. 33 million). The Group made no political donations.

Dividends

A final dividend of Rs. 8/- per share for the financial year 2017/18 (2016/17 Rs. 8/-) was paid on the 18th June 2018.

An interim dividend of Rs. 7/- per share for the financial year 2018/19 (2017/18 Rs.7/-) was paid on the 15th March 2019.

The Board of Directors has now approved a final dividend of Rs. 8/- per share for the financial year 2018/19 to be paid on 06th June 2019 to those shareholders on the register as of 27th May 2019. In accordance with Sri Lanka Accounting Standard 10 - Events After the Reporting period, the dividend declared has not been recognised as a liability as at 31st March 2019.

As required by section 56 (2) of the Companies Act, No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of Companies Act, No. 07 of 2007 and a certificate has been obtained from the Auditors, prior to declaring all dividends.

Annual Report of the Board of Directors

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 proposed dividend payment includes a redistribution of dividends received by the Company from its Subsidiary Jaykay Marketing Services (Pvt) Ltd amounting to Rs. 1.50 per share which is not subject to withholding taxes. The balance dividend is paid out of the taxable profits of the Company and will be subjected to withholding tax at the rate of 14%.

Property, Plant and Equipment

The value of property plant and equipment as at the reporting date amounted to Rs. 18,121 million (2017/18 Rs. 12,869 million) for the Group. The details of property, plant and equipment of the Company and the Subsidiaries are shown in note 20 to the Financial Statements.

Capital Expenditure

The total capital expenditure on acquisition of property, plant and equipment of the Company and the Group amounted to Rs. 428 million and Rs. 6,584 million respectively (2017/18 Company Rs. 427 million and Group Rs. 5,634 million) details of which are given in note 20 to the Financial Statements. Capital expenditure approved and contracted but not provided for and capital expenditure approved not contracted and not provided for in the Financial Statements, are given in note 44 to the Financial Statements.

Market Value of Freehold Properties

The land and buildings owned by the Company were re-valued by Messrs. P.B. Kalugalagedara & Associates – Chartered Valuation Surveyors as at 31st December 2018. 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 31st December 2018 by Messrs. P.B. Kalugalagedara & Associates – Chartered Valuation Surveyors. The land was valued at open market value. The details of the revaluation and relevant accounting policies are provided in notes 20 and 22 to the Financial Statements respectively.

Investments

Details of investments held by the Company is disclosed in note 24 to the Financial Statements. During the year the Company invested Rs. 450 million in The Colombo Ice Company (Pvt) Ltd taking the total equity investment up to Rs.1.7 billion as at 31st March 2019.

Stated Capital and Revenue Reserves

In compliance with the Companies Act, No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issue of shares and calls on shares.

The total Stated Capital of the Company as at 31st March 2019 was Rs. 918 million (31st March 2018 - Rs. 918 million), as given in note 32 to the Financial Statements.

Revenue Reserve as at 31st March 2019 for the Company and the Group amounted to Rs. 10,705 million (31st March 2018 - Rs. 10,440 million) and Rs. 11,452 million (31st March 2018 - Rs. 11,568 million) respectively. The movement and the composition of the reserve is disclosed in the Statement of Changes in Equity.

Unquoted Investment in Waterfront Properties (Pvt) Ltd.

As at the reporting date, the Company's holding in Waterfront Properties (Pvt) Ltd was diluted to 13.80% (as at 31st March 2018 16.69%) as a result of the direct equity infusion in Waterfront Properties (Pvt) Ltd, by the Parent Company, John Keells Holding PLC as envisaged at the outset of the project. Details of the investment is given in note 26 of the Financial Statements.

During the year the Company fair valued the investment in Waterfront Properties (Pvt) Ltd, shown under financial asset category called Fair Value Through Other Comprehensive Income based on the guidance stipulated by SLFRS 9 Financial Instruments.

Events after the Reporting Period

Events occurring after the reporting period is given in note 46 to the Financial Statements.

Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at 31st March 2019 except as disclosed in notes 43 and 44 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 and the Group 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 5,849 persons as at 31st March 2019 (31st March 2018 – 5,088).

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 Subsidiaries 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

Corporate Governance practices and principles with respect to the management and operations of the Group is set out on pages 74 to 101 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 Subsidiaries have not engaged in any activities, which contravene laws and regulations.
- The Directors have declared all material interests in contracts involving the Company and its Subsidiaries and refrained from voting on matters in which they were materially involved.
- The Company has made all endeavours' to ensure the equitable treatment of all shareholders.
- A review of internal controls covering financial, operational and compliance 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 detailed report on Corporate Governance is found on pages 74 to 101.

Risk Management

The Board and the Management of the Company and the Subsidiaries have put in place a comprehensive risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle. A detailed overview of the process is outlined in the Enterprise Risk Management Report on pages 102 to 108.

BOARD COMMITTEES

Audit Committee

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

Ms. S T Ratwatte - Chairperson

Mr. M Hamza

Dr. R S W Wijeratnam

The report of the Audit Committee is given on pages 123 to 125 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. The Human Resources and Compensation Committee of John Keells Holdings PLC comprises of three Independent Non- Executive Directors:

Mr. D A Cabraal - Chairman

Mr. M A Omar

Dr. S S H Wijayasuriya

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

Nominations Committee

The Nominations Committee of the Parent Company John Keells Holdings PLC as permitted by the listing rules of the Colombo Stock Exchange, functions as the Nominations Committee of the Company and its Subsidiaries.

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

Mr. M A Omar – Chairman

Ms. M P Perera

Dr. S S H Wijayasuriya

Dr. R Coomaraswamy
(Appointed w.e.f 06.11.2018)

Mr. K N J Balendra
(Appointed w.e.f 01.01.2019)

Mr. S C Ratnayake
(Resigned w.e.f 31.12.2018)

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

Related Party Transactions Review Committee

Related Party Transactions Review Committee of the Parent Company John Keells Holdings PLC as permitted by the listing rules of the Colombo Stock Exchange, functions as Related Party Transactions Review Committee the Company and its Subsidiaries.

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

Ms. M P Perera – Chairperson

Mr. D A Cabraal

Mr. A N Fonseka

Mr. K N J Balendra
(Appointed w.e.f 01.01.2019)

Mr. S C Ratnayake
(Resigned w.e.f 31.12.2018)

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

Project Risk Assessment Committee

Project Risk Assessment Committee of John Keells Holdings PLC, the Parent Company of Ceylon Cold Stores PLC, functions as the Project Risk Assessment Committee of the Company and its Subsidiaries. This Committee was appointed on 26th July 2018. The Project Risk Assessment committee members of the Parent Company are as follows;

Dr. S S H Wijayasuriya - Chairman

Ms. M P Perera

Mr. K N J Balendra

Mr. J G A Cooray

The Project Risk Assessment Committee policy is detailed in the Corporate Governance Report of the Annual Report .

Share Information

An Ordinary Share of the Company was quoted on the Colombo Stock Exchange at Rs.575 as at 31st March 2019 (31st March 2018 – Rs. 950). Information relating to earnings, dividends, net assets and market value per share is given in the key figures and ratios section on page 205. Information on share trading is given on page 203 of this report.

Annual Report of the Board of Directors

Shareholdings

There were 1,813 registered shareholders, holding ordinary voting shares as at 31st March 2019 (1,801 registered shareholders as at 31st March 2018). The distribution of shareholdings including the percentage held by the public is given on page 202 of this report.

Float Adjusted Market Capitalisation

As at 31st March 2019, Company had a float adjusted market capitalisation of Rs. 10.1 billion and 1,808 public shareholders (18.56% public shareholdings). There for the Company is compliant under option 1 of the minimum threshold requirements for the Main Board of the Colombo Stock Exchange, as per section 7.6 of the Listing Rules of the Colombo Stock Exchange.

Equitable Treatment to all Shareholders

The Company has made every endeavour to ensure the equitable treatment of all shareholders and has adopted adequate measures to prevent information asymmetry.

Substantial Shareholdings

The list of the top twenty shareholders is given on page 203 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 are given on page 27 of the Annual Report.

No other Director held office during the year under review.

- Mr. K N J Balendra (Non - Executive, Non Independent)
  Appointed as Chairman of the Board on 01.01.2019
- Mr. J G A Cooray (Non - Executive, Non Independent)
- Mr. D P Gamlath (Executive - Non Independent)
- Ms. S T Ratwatte (Non - Executive, Independent)
- Mr. M Hamza (Non - Executive, Independent)
- Dr. R S W Wijeratnam (Non - Executive, Independent)
- Mr. S C Ratnayake (Non - Executive, Non Independent)
  Resigned w.e.f. 31.12.2018
- Mr. J R Gunaratne (Executive – Non Independent)
  Resigned w.e.f. 30.06.2018

The Board of Directors of Jaykay Marketing Services (Pvt) Ltd who served during the year and as at the end of the Financial Year are given below;

No other Director held office during the period under review.

- Mr. J G A Cooray (Non-Executive - Non Independent)
- Mr. K C Subasinghe (Executive - Non-Independent)
- Mr. J R Gunaratne (Non-Executive, Non-Independent)
  Appointed w.e.f. 01.01.2019
- Mr. S C Ratnayake - (Non - Executive, Non Independent)
  Resigned w.e.f. 01.12.2018

The Board of Directors of The Colombo Ice Company (Pvt) Ltd who served during the year and as at the end of the Financial Year are given below;

No other Director held office during the period under review.

- Mr. D P Gamlath (Non-Executive - Non Independent)
- Mr. J R Gunaratne (Non-Executive – Non Independent)
  Resigned w.e.f. 30th June 2018
  and re-appointed w.e.f. 01.01.2019
- Mr. S C Ratnayake (Non - Executive, Non Independent)
  Resigned from the Board on 31.12.2018.

Responsibility of the Board

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

Retirement and Re-Election of Directors

Accordance with Article 84 of the Articles of Association of the Company, Ms. S T Ratwatte and Dr. R S W Wijeratnam who retire by rotation and being eligible to offer themselves for re- election.

Directors' Interests in Shares

The Directors' (including their spouses) individual shareholdings in the Company as at 31st March 2019 and 31st March 2018 were as follows;

Name of Director	2019	2018
Mr. K N J Balendra - Chairman (Appointed w.e.f 01.01.2019)	81,904	81,904
Mr. J G A Cooray	NIL	NIL
Mr. D P Gamlath	NIL	NIL
Mr. M Hamza	1,000	1,000
Dr. R S W Wijeratnam	NIL	NIL
Ms. S T Ratwatte	NIL	NIL
Mr. S C Ratnayake - (Resigned w.e.f 31.12.2018)	N/A	3,344
Mr. J R Gunaratne - (Resigned w.e.f 30.06.2018)	N/A	5,080

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 16 to the Financial Statements.

Directors' Meetings

Details of Directors' meetings is presented on pages 80 to 81 of the Annual Report.

Interests Register

The Company has maintained an Interests Register. In compliance with the requirements of the Companies Act, No. 07 of 2007, this Annual Report contains particulars of entries made in the Interests Register. As the Subsidiaries are Private Limited Companies, who have 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 Subsidiaries.

Interest Register is available at the Registered office of the Company in keeping with the requirement of the section 119 (1) (d) of the Companies Act No. 07 of 2007.

Particulars of entries in the Interests Register for the Financial Year 2018/19

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

b) Share Dealings: There have been no disclosures of share dealings as at 31st March 2019.

c) Indemnities and Remuneration

1. Mr. M Hamza's contract as a Non-Executive Independent Director of Ceylon Cold Stores PLC was renewed for a further period at Non-Executive Directors fees approved by the Human Resources and Compensation Committee of John Keells Holdings PLC the holding Company, which fees are commensurate with the market complexities of the Company with effect from 15th May 2018.

2. The Board approved the payment to Mr. D P Gamlath Executive Director of Ceylon Cold Stores PLC, a remuneration 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 as detailed below;

- An increment from 1st July 2018 based on the individual performance rating obtained by the Executive Director 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 2017/18; and
- A long-term Incentive plan in the form of Employee Share Options at John Keells Holdings PLC.

All approval related to indemnities and remuneration have been recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, keeping with the John Keells Group Remuneration Policy.

The standard Non-Executive fees are approved by the Board for Non-Executive Directors, which are commensurate with the market complexities of the Company.

Fees payable to Non-Executive Nominee Directors of John Keells Holdings PLC was paid to John Keells Holding PLC and not to individual Directors.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act, No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

Employee Share Option Scheme (ESOP)

The Company does not offer its shares under an ESOP Scheme. The ESOP Scheme made available to the Senior Executives of the Company is from the Parent Company, John Keells Holdings PLC.

The Company has not directly or indirectly provided funds to its employees to purchase shares under ESOP Scheme.

Compliance with Laws and Regulations

The Company and the Group has complied with all applicable laws and regulations. A compliance checklist is signed on a quarterly basis by responsible officers and any violations are reported to the Audit Committee and Board of Directors.

Supplier Policy

The 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 the Group as at the end of the reporting period have been paid or where relevant provided for.

Annual Report of the Board of Directors

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.

Independent Auditors' Appointment

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

The Auditor's Report is found on pages 127 to 129 of the Annual Report.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, independence and its relationship with the Group, 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 Subsidiaries are set out in note 16 to the Financial Statements. As Far as the Directors are aware, the Auditors have no other relationship with the Company and its Subsidiaries.

Approval of the Financial Statements

The Audited Financial Statements were approved by the Board of Directors on 22nd May 2019.

Notice of Annual General Meeting

The notice of Meeting relating to the 122nd Annual General Meeting is given on page 207 of the Annual Report.

D P Gamlath
Director

J G A Cooray
Director

Keells Consultants (Pvt) Ltd
Secretaries

22nd May 2019

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 Colombo Stock Exchange (CSE). The Audit Committee's functions and scope are in compliance with the requirements of the Code of Best Practice on Audit Committee and conducted its affairs in compliance with the requirements of the Code of Best Practice on Audit Committee.

The Committee is tasked with assisting the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders in relation to the integrity of Financial Statements of the Group, that a good financial reporting system is in place and is well managed in order to give accurate, appropriate and timely information, that it is in accordance with the Companies Act and other legislative reporting requirements and that adequate disclosures are made in the Financial Statements in accordance with the Sri Lanka Accounting Standards.

The 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 External Auditor. The Committee is also tasked with the responsibility of recommending to the Board the re-appointment or 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 Subsidiaries to ensure that all parties are aware of their responsibilities.

The Audit Committee is empowered to carry out any investigations it deems necessary and review all internal control systems and procedures, compliance reports, risk Management reports etc. to achieve the objectives as stated above. The Committee has reviewed and discussed with the management and the External Auditor the Audited Financial Statements for the year ended 31st March 2019, 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 of three Independent, Non-Executive Directors in conformity with the listing rules of Colombo Stock Exchange, who are;

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

The Audit Committee comprises of individuals with extensive experience and expertise in the fields of Finance, Corporate Management, Economics, Food Technology and Marketing. The Chairperson of the Audit Committee is a Chartered Management Accountant. A brief profile of each member of the Audit Committee is given on page 27 of this report under the section Board of Directors.

Meetings of Audit Committee

The Audit Committee meets as often as may be deemed necessary or appropriate in its judgment, and at least quarterly each year. During the year under review there were seven (7) meetings and attendance of the Committee members are given below.

Attendance at Audit Committee Meetings

Name	23/4/2018	4/5/2018	21/5/2018	19/7/2018	22/10/2018	22/1/2019	27/3/2019
Ms. S T Ratwatte	✓	✓	✓	✓	✓	✓	✓
Mr. M Hamza	✓	✓	✓	✓	✓	✓	✓
Dr. R S W Wijeratnam	-	✓	✓	✓	✓	✓	-
By Invitation							
Mr. J R Gunaratne (Resigned on 30.06.2018)	-	✓	-	N/A	N/A	N/A	N/A
Mr. D P Gamlath	-	✓	✓	✓	✓	✓	✓

Audit Committee Report

The Sector Head, the Chief Financial Officer, the Head of JKH Group Business Process Review and the Heads of the Categories attended such meetings by invitation and briefed the Committee on specific issues. The External Auditor and Internal Auditors were also invited to attend meetings when necessary. The 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 are responsible for expressing an opinion on the truth and fairness of the audited Financial Statements and their conformity with the Sri Lankan Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).

The Committee also reviewed the accounting policies of the Company and the Group and such other matters as are required to be discussed with the independent External Auditor in compliance with Sri Lanka Auditing Standard 260 – Communication of Audit Matters with those charged with governance. The quarterly Financial Statements were also reviewed by the Committee and recommended their adoption to the Board.

The Committee also reviewed the process to assess the effectiveness of the internal financial controls that have been designed to provide reasonable assurance to the Directors that the financial reporting system can be relied upon in preparation and presentation of the Financial Statements of the Company and the Group.

Internal Audit

The Committee monitors the effectiveness of the internal audit function and is responsible for approving their appointment or removal and for ensure they have adequate access to information required to conduct their audits.

The internal audit function of the Company is outsourced to Messrs. PricewaterhouseCoopers (Private) Limited, a firm of Chartered Accountants and that of Subsidiary, Jaykay Marketing Services (Pvt) Ltd is outsourced to BDO Partners – Chartered Accountants and the Subsidiary The Colombo Ice Company (Pvt) Ltd has not yet commenced the internal audit function as the commercial operations of the Company commenced in June 2018.

The Audit Committee has agreed with the Internal Auditors as to the frequency of audits to be carried out, the scope of the audit and the fee to be paid for their services.

During the year under review, the Audit Committee has met the Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of internal controls and audit recommendations.

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

Risk and Control Review

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

External Audit

The External Auditor of the Company and of the Subsidiaries, Messrs. Ernst & Young, Chartered Accountants, submitted a detailed audit plan for the financial year 2018/19, which specified, inter alia, the areas of operations to be covered in respect of the Company and the Subsidiaries.

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/Sector Head. There were no issues of significance during the year under review.

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

The Audit Committee has received a declaration from Messrs. Ernst & Young as required by the Companies Act, No. 07 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, be recommended for reappointment as Auditor for the year ending 31st March 2020, at the next Annual General Meeting.

Compliance with Financial Reporting and Statutory Requirements

The Audit Committee receives a quarterly declaration from the Sector Head and the Chief

Financial Officer, listing any departures from financial reporting, statutory requirements and Group policies. Reported exceptions, if any, are followed up to ensure that appropriate corrective action has been taken.

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

Support to the Committee

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

Evaluation of Committee

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

Conclusion

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Company and the Subsidiaries in the implementation of the accounting policies and operational controls provide reasonable, assurance that the affairs of the Company and the Subsidiaries are managed in accordance with accepted policies and that assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Group's Internal and External Auditors have been effective and independent throughout the period under review.

S T Ratwatte
Chairperson, Audit Committee

22nd May 2019

Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the auditor in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007, is set out in the Independent Auditors' Report on page 127 to 129 of the Annual Report.

As per the provisions of the Companies Act, No. 07 of 2007 the Directors are required to prepare, for each financial year and place before a General Meeting, Financial Statements which comprise of;

- An Income Statement, which presents a true and fair view of the profit or loss of the Company for the financial year; and
- A Statement of Other Comprehensive Income; and
- A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year.

The Directors have ensured that, 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 judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provided the information required by and otherwise comply with the Companies Act, No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company and its Subsidiaries have adequate resources to continue in operation, to justify applying the going concern basis in preparing these Financial Statements.

Further the Directors have a responsibility to ensure that the Company and its Subsidiaries maintain sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the 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.07 of 2007, the Board of Directors confirm that the Company, satisfies the solvency test in accordance with Section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from the Auditors, prior to declaring the final dividend of Rs. 8/- per share for the year ended 31st March 2019 to be paid on the 6th of June 2019

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of the employees of the Company and its Subsidiaries, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the end of the reporting period have been paid or, where relevant provided for except as specified in note 43 to the Financial Statements covering contingent liabilities.

By Order of the Board

Keells Consultants (Private) Limited

Secretaries

22nd of May 2019

Independent Auditor's Report

Building a better working world

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TO THE SHAREHOLDERS OF CEYLON COLD STORES PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Ceylon Cold Stores PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of land and building As at reporting date 31 March 2019, land and buildings carried at fair value amounted to Rs. 2,468 Mn (Company – Rs. 1,428 Mn) classified as Property, Plant and Equipment and Rs. 254 Mn (Company Rs. 254 Mn) classified as investment property. The fair value of such property was determined by an external valuer engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in the note 20.2 and 22.2 of the financial statements.	Our audit procedures focused on the valuations performed by the external valuer engaged by the Group, and included the following; ▪ We assessed the competency, capability and objectivity of the external valuer engaged by the Group ▪ We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property ▪ We engaged our internal specialised resources to assessing the reasonableness of the valuation technique, per perch price and value per square foot We have also assessed the adequacy of the disclosures made in notes 20.2 and 22.2 to the financial statements relating to the valuation technique and estimates used by the external valuer.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
Valuation of unquoted financial assets classified as Fair Value through Other Comprehensive Income (FVOCI) The Company's Fair Value Through Other Comprehensive income consists of an unquoted equity investment in Waterfront Properties (Pvt) Ltd, which is fair valued at Rs. 7,016 Mn as at the reporting date. The fair value of this financial asset was derived based on an adjusted net assets basis, which was dependent on the fair value of the assets and liabilities held by Waterfront Properties (Pvt) Ltd. We determined the valuation of the unquoted financial asset as a key audit matter due to the use of a valuation technique based on unobservable inputs as further disclosed in notes 10.3 and 26.3 to the financial statements.	Our audit procedures focused on the valuations performed by the management, and included the following; ▪ We engaged our internal specialized resources to assist us in evaluating the appropriateness of the valuation technique and reasonability of assumptions used to fair value the unquoted equity investment by the management. ▪ We validated the key inputs such as extent of land, cost incurred to date for the construction of capital work in progress in the valuation. We further evaluated the adequacy of the related disclosures in the notes 10.3 and 26.3.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

22nd May 2019

Colombo

Income Statement

For the year ended 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Goods transferred at a point in time	12.2	59,060,012	50,942,430	11,625,320	13,649,255
Total revenue from contracts with customers		59,060,012	50,942,430	11,625,320	13,649,255
Cost of sales		(52,925,421)	(44,813,610)	(7,908,379)	(9,180,421)
Gross profit		6,134,591	6,128,820	3,716,941	4,468,834
Dividend income	13	-	-	712,902	746,060
Other operating income	14.1	1,709,563	1,558,337	274,176	65,585
Selling and distribution expenses		(2,410,889)	(1,798,565)	(1,649,912)	(1,408,629)
Administrative expenses		(1,737,486)	(1,473,290)	(675,745)	(644,336)
Other operating expenses	14.2	(1,090,135)	(775,091)	(324,890)	(326,744)
Results from operating activities		2,605,644	3,640,211	2,053,472	2,900,770
Finance cost	15	(646,901)	(31,956)	(11,446)	(673)
Finance income	15	58,472	130,493	46,903	103,488
Net finance income/(cost)		(588,429)	98,537	35,457	102,815
Change in fair value of investment property	22.1	25,433	21,559	25,433	21,559
Share of results of equity accounted investees	25.1	-	(9,949)	-	-
Profit before tax	16	2,042,648	3,750,358	2,114,362	3,025,144
Tax expense	19.1	(732,483)	(1,182,903)	(427,808)	(648,274)
Profit for the year		1,310,165	2,567,455	1,686,554	2,376,870
Attributable to:					
Equity holders of the parent		1,310,165	2,567,455		
		Rs.	Rs.		
Earnings per share					
Basic	17	13.79	27.01		
Dividend per share	18	15.00	15.00		

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 137 to 201 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Profit for the year		1,310,165	2,567,455	1,686,554	2,376,870
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Share of other comprehensive income of equity accounted investees	25.1	-	45,035	-	-
Changes of holding in equity accounted investees	25.1	-	(684,763)	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods		-	(639,728)	-	-
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Re-measurement gain / (loss) on defined benefit plans	37.3	(629)	18,562	5,826	15,883
Revaluation of land and buildings	20.1	162,620	75,238	89,779	66,719
Gain on equity instruments designated at fair value	26.1	5,393	-	5,393	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods		167,384	93,800	100,998	82,602
Tax on other comprehensive income	19.2	(46,454)	(196,908)	(27,308)	(193,771)
Other comprehensive income for the year, net of tax		120,930	(742,836)	73,690	(111,169)
Total comprehensive income for the year, net of tax		1,431,095	1,824,619	1,760,244	2,265,701
Attributable to:					
Equity holders of the parent		1,431,095	1,824,619	1,760,244	2,265,701

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 137 to 201 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	20.1	18,121,188	12,868,657	4,136,237	4,121,686
Lease rentals paid in advance	21.1	143,237	146,263	-	-
Investment property	22.1	254,034	228,601	254,034	228,601
Intangible assets	23.1	461,672	165,481	3,700	5,775
Investment in subsidiaries	24.1	-	-	2,942,282	2,479,782
Non-current financial assets	26.1	7,272,653	5,610,834	7,152,805	5,521,876
Other non-current assets	27	1,233,160	866,355	56,896	50,414
		27,485,944	19,886,191	14,545,954	12,408,134
Current assets					
Inventories	28	5,087,829	4,092,670	1,119,560	1,079,965
Trade and other receivables	29	3,153,862	2,584,748	1,616,420	1,712,353
Amounts due from related parties	42.1	3,753	2,803	58,569	42,365
Other current assets	30	1,071,050	1,506,373	90,155	146,549
Short-term investments	31	52,010	923,276	52,010	489,065
Cash in hand and at bank		713,817	552,083	249,623	212,072
		10,082,321	9,661,953	3,186,337	3,682,369
Total assets		37,568,265	29,548,144	17,732,291	16,090,503
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	32	918,200	918,200	918,200	918,200
Revenue reserves	33	11,451,973	11,568,431	10,705,248	10,440,113
Other components of equity	34	3,029,785	1,196,142	2,766,013	1,008,804
Total equity		15,399,958	13,682,773	14,389,461	12,367,117
Non-current liabilities					
Interest-bearing loans and borrowings	36.2	1,458,333	1,958,333	-	-
Deferred tax liabilities	19.3	1,620,348	1,389,306	867,135	843,864
Employee benefit liabilities	37.1	534,213	491,866	375,993	374,189
Other non-current liabilities	38	158,612	209,846	137,590	172,921
		3,771,506	4,049,351	1,380,718	1,390,974
Current liabilities					
Trade and other payables	39	7,367,446	6,413,243	1,151,572	1,158,883
Amounts due to related parties	42.2	301,971	213,365	5,414	1,087
Income tax liabilities	19.4	151,240	197,504	151,240	144,402
Short-term borrowings	41	1,646,315	-	-	-
Interest-bearing loans and borrowings	36.2	500,000	500,000	-	-
Other current liabilities	40	1,006,296	1,408,161	413,509	879,802
Bank overdrafts		7,423,533	3,083,747	240,377	148,238
		18,396,801	11,816,020	1,962,112	2,332,412
Total equity and liabilities		37,568,265	29,548,144	17,732,291	16,090,503

I certify that the financial statements comply with the requirements of the Companies Act, No. 07 of 2007.

P N Fernando
Chief Financial Officer

The Board of Directors is responsible for these financial statements.

D P Gamlath
Director

J G A Cooray
Director

The accounting policies and notes as set out on pages 137 to 201 form an integral part of these financial statements.

22nd May 2019

Statement of Changes in Equity

	Attributable to equity holders of the Parent							
For the year ended 31st March	Stated capital Rs. '000	ESOP reserve Rs. '000	Revaluation reserve Rs. '000	Foreign currency translation reserve Rs. '000	Cash flow hedges reserve Rs. '000	Fair value reserve of financial assets at FVOCI Rs. '000	Revenue reserve Rs. '000	Total equity Rs. '000
Group								
As at 1st April 2017	918,200	270,721	947,588	867,703	82,825	-	10,102,361	13,189,398
Profit for the year	-	-	-	-	-	-	2,567,455	2,567,455
Other comprehensive income	-	-	(116,537)	23,309	21,726	-	13,429	(58,073)
Changes of holding in equity accounted investees	-	-	-	(891,012)	(104,551)	-	310,800	(684,763)
Total comprehensive income	-	-	(116,537)	(867,703)	(82,825)	-	2,891,684	1,824,619
Share based payment transactions	-	94,370	-	-	-	-	-	94,370
Final dividend paid - 2016/17	-	-	-	-	-	-	(760,320)	(760,320)
Preference share dividend paid - 2016/17	-	-	-	-	-	-	(14)	(14)
Interim dividend paid 2017/18	-	-	-	-	-	-	(665,280)	(665,280)
As at 31st March 2018	918,200	365,091	831,051	-	-	-	11,568,431	13,682,773
Impact of adoption of SLFRS 9								
Impact of reclassifying financial investments from AFS held at cost to FVOCI	-	-	-	-	-	1,617,859	-	1,617,859
Deferred tax on SLFRS 9 transitional adjustments	-	-	-	-	-	14,561	-	14,561
As at 1st April 2018	918,200	365,091	831,051	-	-	1,632,420	11,568,431	15,315,193
Profit for the year	-	-	-	-	-	-	1,310,165	1,310,165
Other comprehensive income	-	-	117,085	-	-	4,854	(1,009)	120,930
Total comprehensive income	-	-	117,085	-	-	4,854	1,309,156	1,431,095
Share based payment transactions	-	79,284	-	-	-	-	-	79,284
Final dividend paid - 2017/18	-	-	-	-	-	-	(760,320)	(760,320)
Preference share dividend paid - 2017/18	-	-	-	-	-	-	(14)	(14)
Interim dividend paid 2018/19	-	-	-	-	-	-	(665,280)	(665,280)
As at 31st March 2019	918,200	444,375	948,136	-	-	1,637,274	11,451,973	15,399,958
Company								
As at 1st April 2017	918,200	160,065	903,042			-	9,477,355	11,458,662
Profit for the year	-	-	-			-	2,376,870	2,376,870
Other comprehensive income	-	-	(122,671)			-	11,502	(111,169)
Total comprehensive income	-	-	(122,671)			-	2,388,372	2,265,701
Share based payment transactions	-	68,368	-			-	-	68,368
Final dividend paid - 2016/17	-	-	-			-	(760,320)	(760,320)
Preference share dividend paid - 2016/17	-	-	-			-	(14)	(14)
Interim dividend paid 2017/18	-	-	-			-	(665,280)	(665,280)
As at 31st March 2018	918,200	228,433	780,371			-	10,440,113	12,367,117
Impact of adoption of SLFRS 9								
Impact of reclassifying financial investments from AFS held at cost to FVOCI	-	-	-			1,617,859	-	1,617,859
Deferred tax on SLFRS 9 transitional adjustments	-	-	-			14,561	-	14,561
As at 1st April 2018	918,200	228,433	780,371			1,632,420	10,440,113	13,999,537
Profit for the year	-	-	-			-	1,686,554	1,686,554
Other comprehensive income	-	-	64,641			4,854	4,195	73,690
Total comprehensive income	-	-	64,641			4,854	1,690,749	1,760,244
Share based payment transactions	-	55,294	-			-	-	55,294
Final dividend paid - 2017/18	-	-	-			-	(760,320)	(760,320)
Preference share dividend paid - 2017/18	-	-	-			-	(14)	(14)
Interim dividends paid 2018/19	-	-	-			-	(665,280)	(665,280)
As at 31st March 2019	918,200	283,727	845,012			1,637,274	10,705,248	14,389,461

Details of the final dividend proposed for the year ended 31st March 2019 is disclosed in note 46 - Events after the reporting period.

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 137 to 201 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	4,334,898	4,785,969	1,969,531	2,782,433
(Increase)/decrease in inventories		(995,159)	(552,128)	(39,595)	112,731
(Increase)/decrease in trade and other receivables		(569,114)	(356,834)	95,933	7,980
(Increase)/decrease in amounts due from related parties		(950)	2,767	(16,204)	(3,483)
(Increase)/decrease in other current assets		435,323	(833,757)	56,394	(3,940)
(Increase)/decrease in non-current financial assets*		(38,567)	(47,708)	(7,677)	(37,935)
(Increase)/decrease in other non-current assets		(366,805)	(299,126)	(6,482)	(16,937)
Increase/(decrease) in trade and other payables		954,203	1,608,276	(7,311)	151,325
Increase/(decrease) in amounts due to related parties		88,606	58,223	4,327	(2,189)
Increase/(decrease) in other current liabilities		(401,865)	383,678	(466,293)	304,586
Increase/(decrease) in other non-current liabilities		(51,234)	(20,544)	(35,331)	(20,544)
Cash generated from operations		3,389,336	4,728,816	1,547,292	3,274,027
Finance income received**	15	58,472	130,493	34,403	96,598
Finance expenses paid	15	(646,901)	(31,956)	(11,446)	(673)
Tax paid, set-off against tax credits and refunds	19.4	(579,598)	(1,374,477)	(410,446)	(886,926)
Employee benefit (gratuity) paid/transferred	37.3	(76,155)	(54,876)	(63,199)	(35,658)
Net cash flow from operating activities		2,145,154	3,398,000	1,096,604	2,447,368
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	20.1	(6,584,271)	(5,633,862)	(428,045)	(426,926)
Increase in investment in subsidiary	24.1	-	-	(450,000)	(980,000)
Purchase of intangible assets	23.1	(340,267)	(27,599)	-	(386)
Proceeds from sale of property, plant and equipment		9,365	1,254	2,510	278
Dividend income received	13	-	-	712,902	746,060
Net cash flow used in investing activities		(6,915,173)	(5,660,207)	(162,633)	(660,974)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Dividend paid to equity holders of parent	18	(1,425,600)	(1,425,600)	(1,425,600)	(1,425,600)
Dividend paid to preference shareholders	17	(14)	(14)	(14)	(14)
Proceeds from interest-bearing loans and borrowings	36.1	-	2,243,808	-	-
Repayment of interest-bearing loans and borrowings	36.1	(500,000)	(56,667)	-	(15,000)
Proceeds from/(repayment of) other financial liabilities (net)	41	1,646,315	-	-	-
Net cash flow from/(used in) financing activities		(279,299)	761,527	(1,425,614)	(1,440,614)

**Excludes unquoted equity investment*

***Excludes inter-company notional guarantee income*

For the year ended 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,049,318)	(1,500,680)	(491,643)	345,780
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(1,608,388)	(107,708)	552,899	207,119
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(6,657,706)	(1,608,388)	61,256	552,899
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short-term investments		52,010	923,276	52,010	489,065
Cash in hand and at bank		713,817	552,083	249,623	212,072
Unfavourable balances					
Bank overdrafts		(7,423,533)	(3,083,747)	(240,377)	(148,238)
Total cash and cash equivalents		(6,657,706)	(1,608,388)	61,256	552,899
Note A					
Profit before working capital changes					
Profit before tax		2,042,648	3,750,358	2,114,362	3,025,144
Adjustments for:					
Finance income	15	(58,472)	(130,493)	(46,903)	(103,488)
Finance cost	15	646,901	31,956	11,446	673
Dividend income	13	-	-	(712,902)	(746,060)
Share of results of equity accounted investees	25.1	-	9,949	-	-
Change in fair value of investment property	22.1	(25,433)	(21,559)	(25,433)	(21,559)
Depreciation of property, plant and equipment	20.1	1,306,908	911,407	491,713	474,854
Amortisation of intangible assets	23.1	45,755	13,274	2,390	3,338
Amortisation of lease rentals paid in advance	21.1	3,026	11,180	-	-
Loss on sale of property, plant and equipment	14.2	176,408	34,915	8,735	19,131
Share based payment expense	35	79,284	94,370	55,294	68,368
Realised gain on lease rights forgone	14.1	-	(13,339)	-	-
Employee benefit provisions and related costs	37.2	117,873	93,951	70,829	62,032
		4,334,898	4,785,969	1,969,531	2,782,433

Cash and cash equivalents in the statement of financial position comprise of cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 137 to 201 form an integral part of these financial statements.

Index to Notes

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 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 2019, comprise "the Company" referring to Ceylon Cold Stores PLC (CCS) as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st March 2019 were authorised for issue by the Directors on 22nd May 2019.

Principal Activities and Nature of Operations

Company

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

Subsidiaries

Jaykay Marketing Services (Pvt) Ltd

The principal activity of the wholly-owned Subsidiary, Jaykay Marketing Services (Pvt) Ltd (JMSL) is owning and operating a chain of supermarkets and "Nexus Mobile" loyalty programme .The registered office of the Company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Principal place of business of the Company is located at 148, Vauxhall Street, Colombo 02.

The Colombo Ice Company (Pvt) Ltd

The Colombo Ice Company (Pvt) Ltd (CICL) which was incorporated as a wholly owned subsidiary of Ceylon Cold Stores PLC (CCS) in May 2016, commenced its commercial operations on 12th June 2018.The Principal activity of the Company is the manufacture, marketing and sales of Frozen Confectionery. CICL entered into an agreement with the Board of Investment of Sri Lanka (BOI) in July 2016, to lease a land with an extent of 9 acres for a period of 50 years for the establishment of an Ice Cream factory. A total of Rs. 1.7 Bn has been infused by CCS as equity in CICL, as at 31st March 2019. The registered office of the Company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Principal place of business of the Company is located at 148, Vauxhall Street, Colombo 02. The manufacturing facility of the Company is located at Seethawaka Industrial Zone, Avissawella.

There was no significant change in the nature of the principal activities of the Group during the financial year under review other than mentioned above.

Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is John Keells Holdings PLC.

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

Responsibility for Financial Statements.

The responsibility of the Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility on page 126 in the Annual Report.

Statement of Compliance

The financial statements which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act, No. 07 of 2007.

2. Basis of Preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for the land, buildings, investment properties and financial assets at fair value through other comprehensive income.

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 with relevant individual notes.

Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

3. Summary of Significant Accounting Policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note have been applied consistently by the Group.

Notes to the Financial Statements

3. Summary of Significant Accounting Policies (Contd.)

Other significant accounting policies not covered with individual notes

Following accounting policies which have been applied consistently by the Group, are considered to be significant but are not covered in any other sections.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non- current.

A liability is considered as current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

Foreign Currency translation, foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lanka Rupees (LKR), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

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

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the financial statements. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

a) Valuation of property, plant and equipment and investment property (Notes 20 and 22)

b) Intangible assets (Note 23)

c) Share based payments (Note 35)

d) Taxes (Note 19)

e) Employee benefit liabilities (Note 37)

f) Contingent liabilities (Note 43)

g) Other non-current liabilities (Note 38)

h) Provision for expected credit losses of trade receivables (Note 29)

i) Valuation of unquoted equity investments (Note 26)

5. Changes in Accounting Standards and Standards Issued but not yet Effective

Changes in accounting standards

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described over leaf.

Several other amendments and interpretations apply for the first time in 2018/19 financial year, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed the Group concluded that SLFRS 15 does not have a material impact on Group's consolidated financial statements.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied SLFRS 9 retrospectively, with the initial application date of 1st April 2018. The Group has taken an exception not to restate comparative information for prior periods with respect to classification and measurement requirements.

Differences arising from the adoption of SLFRS 9 have been recognised directly in equity as of 1st April 2018 and are disclosed in the statement of changes in equity.

Standards issued but not yet effective

"The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS's will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

The Group intends to adopt these standards, if applicable, when they become effective.

<table>
<tr><th>Accounting Standard</th><th>Summary of the Requirements</th><th>Effective Date</th><th>Possible Impact on Consolidated Financial Statements</th></tr>
<tr><td>SLFRS 16 - Leases</td><td>SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.</td><td>Financial year begin on or after 1st January 2019 (early adoption permitted)</td><td>The Group will apply the standard from its mandatory adoption date which financial reporting period starting from 1st April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The standard will affect primarily the accounting for the Group's operating leases and lease commitments. The Group will elect to apply the standard to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4. The Group will elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has rent agreements with several parties that the lease term ends within 12 months. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group has performed a detailed impact assessment of SLFRS 16 as at the reporting date.

<table>
<tr><th></th><th>Rs. '000</th></tr>
<tr><td>Assets</td><td></td></tr>
<tr><td>Right-of-use assets</td><td>6,437,749</td></tr>
<tr><td>Lease rentals paid in advance</td><td>(143,237)</td></tr>
<tr><td>Liabilities</td><td></td></tr>
<tr><td>Lease liabilities - Long-term</td><td>(5,221,875)</td></tr>
<tr><td>Lease liabilities - Short-term</td><td>(1,072,637)</td></tr>
<tr><td>Net impact on equity</td><td>-</td></tr>
</table>

The Group expects that net profit after tax will decrease by approximately 359.4 Mn in the 2019/20 financial year as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately 989.9Mn, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately 989.9 Mn as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.</td></tr>
</table>

Notes to the Financial Statements

5. Changes in Accounting Standards and Standards Issued but not yet Effective (Contd.)

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements

- Revised Conceptual Framework for Financial Reporting
- Presentation of Financial Statements and Accounting Policies and Changes in Accounting Estimates and Errors (Amendments to LKAS 1 & LKAS 8)
- Annual Improvements Cycle - 2015-2017
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to LKAS 19)

6. Operating Segment Information

Accounting Policy

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The operating segments represent this business structure.

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

As such for management purposes, the Group is organized into business units based on their products and services and has two operating business segments as manufacturing and retailing.

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

Manufacturing business is mainly carried out by the Company and the fully owned Subsidiary, The Colombo Ice Company (Pvt) Ltd. Retailing is carried out by the fully-owned Subsidiary, Jaykay Marketing Services (Pvt) Ltd.

Each of these operating segments are managed by Executive Vice Presidents acting as segment managers namely;

- Manufacturing Segment – Sector Head, Consumer Food Sector
- Retailing Segment – President, Retail Sector

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

Segment information

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

All inter-segment transfers are carried out at arm's length prices.

The following tables present revenue and profit information regarding the Group's operating segments.

6.1 Business segments

For the year ended 31st March	Manufacturing		Retail		Total	
	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Goods transferred at a point in time						
External Revenue	13,522,608	13,352,266	45,537,404	37,590,164	59,060,012	50,942,430
Inter segment revenue	349,626	296,989	-	101	349,626	297,090
Total segment revenue from contracts with customers	13,872,234	13,649,255	45,537,404	37,590,265	59,409,638	51,239,520
Elimination					(349,626)	(297,090)
Net segment revenue from contracts with customers	13,872,234	13,649,255	45,537,404	37,590,265	59,060,012	50,942,430
Segment operating profit	2,433,898	2,872,353	886,866	1,505,688	3,320,764	4,378,041
Finance cost	(214,003)	(680)	(432,898)	(31,276)	(646,901)	(31,956)
Finance income	39,659	103,110	18,813	27,383	58,472	130,493
Change in fair value of investment property	25,433	21,559	-	-	25,433	21,559
Share of results of equity accounted investees					-	(9,949)
Eliminations / adjustments					(715,120)	(737,830)
Profit before tax	2,284,987	2,996,342	472,781	1,501,795	2,042,648	3,750,358
Tax Expense*	(474,249)	(650,075)	(258,234)	(532,828)	(732,483)	(1,182,903)
Profit for the year	1,810,738	2,346,267	214,547	968,967	1,310,165	2,567,455
Purchase and construction of PPE**	1,740,427	3,050,364	4,843,844	2,590,388	6,584,271	5,633,862
Addition to IA***	551	386	339,716	27,213	340,267	27,599
Depreciation of PPE**	632,636	474,930	674,272	436,477	1,306,908	911,407
Amortisation of IA***	2,486	3,338	43,269	9,936	45,755	13,274
Amortisation of LRPA****	3,026	11,180	-	-	3,026	11,180
Employee benefits provisions and related costs	71,141	62,066	46,732	31,885	117,873	93,951

In addition to segment results, information such as finance cost/ income tax expenses have been allocated to segments for better presentation.

*Retail segment tax expense includes tax on consolidation adjustments

PPE - Property, Plant and Equipment   * IA - Intangible Assets   ****LRPA - Lease Rentals Paid in Advance

6.2 Disaggregation of revenue- Geographical segment analysis (by location of customers)

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka	58,722,299	50,634,562	11,316,738	13,341,387
Outside Sri Lanka	337,713	307,868	308,582	307,868
Total revenue from contracts with customers	59,060,012	50,942,430	11,625,320	13,649,255

Notes to the Financial Statements

6.3 Following is a reconciliation of the amounts in the statement of financial position for the reportable segments

As at 31st March	Manufacturing		Retail		Total	
	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS						
Non-current assets						
Property, plant and equipment	8,072,351	6,887,333	10,056,099	5,988,214	18,128,450	12,875,547
Lease rentals paid in advance	143,237	146,263	-	-	143,237	146,263
Investment property	254,034	228,601	-	-	254,034	228,601
Intangible assets	5,518	5,775	341,148	44,700	346,666	50,475
Non-current financial assets	7,157,671	5,523,272	114,982	87,562	7,272,653	5,610,834
Other non-current assets	57,707	50,786	1,175,453	815,569	1,233,160	866,355
Segment non-current assets	15,690,518	12,842,030	11,687,682	6,936,045	27,378,200	19,778,075
Goodwill					115,006	115,006
Eliminations / adjustments					(7,262)	(6,890)
Total non-current assets	15,690,518	12,842,030	11,687,682	6,936,045	27,485,944	19,886,191
Current assets						
Inventories	1,403,662	1,079,965	3,696,744	3,009,705	5,100,406	4,089,670
Trade and other receivables	2,106,630	1,712,353	1,047,232	872,395	3,153,862	2,584,748
Amounts due from related parties	58,695	42,365	3,743	2,766	62,438	45,131
Other current assets	128,871	637,460	942,179	868,913	1,071,050	1,506,373
Short-term investments	52,010	923,276	-	-	52,010	923,276
Cash in hand and at bank	250,555	212,593	463,262	339,490	713,817	552,083
Eliminations / adjustments					(71,262)	(39,328)
Total segment current assets	4,000,423	4,608,012	6,153,160	5,093,269	10,082,321	9,661,953
Total assets	19,690,941	17,450,042	17,840,842	12,029,314	37,568,265	29,548,144
LIABILITIES						
Non-current liabilities						
Interest bearing loans and borrowings	1,458,333	1,958,333	-	-	1,458,333	1,958,333
Deferred tax liabilities	913,582	843,864	706,766	545,442	1,620,348	1,389,306
Employee benefit liabilities	376,369	374,257	157,844	117,609	534,213	491,866
Other non-current liabilities	137,590	172,921	21,022	36,925	158,612	209,846
Total segment non-current liabilities	2,885,874	3,349,375	885,632	699,976	3,771,506	4,049,351
Current liabilities						
Trade and other payables	1,420,032	1,242,163	5,947,414	5,171,080	7,367,446	6,413,243
Amounts due to related parties	27,577	5,550	333,079	236,783	360,656	242,333
Income tax liabilities	151,240	144,881	-	52,623	151,240	197,504
Short-term borrowings	-	-	1,646,315	-	1,646,315	-
Interest-bearing loans and borrowings	500,000	500,000	-	-	500,000	500,000
Other current liabilities	455,913	879,802	550,383	528,359	1,006,296	1,408,161
Bank overdrafts	984,453	209,322	6,439,080	2,874,425	7,423,533	3,083,747
Eliminations / adjustments					(58,685)	(28,968)
Total segment current liabilities	3,539,215	2,981,718	14,916,271	8,863,270	18,396,801	11,816,020
Total liabilities	6,425,089	6,331,093	15,801,903	9,563,246	22,168,307	15,865,371

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

For the year ended 31st March	Manufacture		Retail		Group	
	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net cash flow from operating activities	1,342,744	2,198,730	918,463	1,282,166	2,145,154	3,398,000
Net cash flow from/(used in) investing activities	(1,475,565)	(3,277,522)	(5,176,705)	(2,616,625)	(6,915,173)	(5,660,207)
Net cash flow from/(used in) financing activities	(1,475,614)	1,741,527	817,359	(828,956)	(279,299)	761,527
Net increase/(Decrease in) cash and cash equivalents	(1,608,435)	662,735	(3,440,883)	(2,163,415)	(5,049,318)	(1,500,680)

7. Basis of Consolidation

Accounting Policy

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries as at 31st March 2019. The Financial Statements of the Subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

Control over an investee

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

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

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

The following Companies have been consolidated based on above criteria.

Name of company	Effective holding
Jaykay Marketing Services (Pvt) Ltd	100%
The Colombo Ice Company (Pvt) Ltd	100%

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the Subsidiaries are prepared for the same reporting period as the Company, which is 12 months ending 31st March, using consistent accounting policies.

Notes to the Financial Statements

7. Basis of Consolidation (Contd.)

Accounting Policy (Contd.)

The total profits and losses for the year of the Company and of its Subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its Subsidiaries included in consolidation are shown in the consolidated statement of financial position.

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

Losses within the Subsidiaries 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.

8. Business Combinations and Goodwill

Accounting Policy

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the Income Statement. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those Associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of SLFRS 9, is measured at fair value with changes in fair value either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted within equity. In instances where the contingent consideration does not fall within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS/LKAS.

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

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

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

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

Impairment of goodwill

Goodwill is tested for impairment annually (as at 31st March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

9. Financial Risk Management Objectives and Policies

Financial assets held by the Group, principally comprise of cash, loans to executives, trade and other receivables, financial assets at fair value through other comprehensive income. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support it's operations.

Risk management is carried out by a central treasury department (JKH Group Treasury) under guidelines of the Group Executive Committee (GEC) of JKH. 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.

Notes to the Financial Statements

9.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, financial assets at fair value through other comprehensive income and loans to executive, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfil their obligations.

9.1.1 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available).The following table shows the maximum risk positions;

As at 31st March		2019						
Group	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Short-term investments Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Government securities	9.1.2	-	-	-	52,010	-	52,010	1%
Loans to executives	9.1.4	256,538	-	80,642	-	-	337,180	8%
Trade and other receivables	9.1.6	-	-	3,073,220	-	-	3,073,220	74%
Amounts due from related parties	9.1.7	-	-	-	-	3,753	3,753	0%
Cash in hand and at bank	9.1.8	-	713,817	-	-	-	713,817	17%
Total credit risk exposure		256,538	713,817	3,153,862	52,010	3,753	4,179,980	100%
Financial assets at fair value through OCI	9.1.5	7,016,115	-	-	-	-		
Total equity risk exposure		7,016,115	-	-	-	-		
Total		7,272,653	713,817	3,153,862	52,010	3,753		

As at 31st March		2018						
Group	Notes	Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short-term investments	Amounts due from related parties	Total	% of allocation
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Government securities	9.1.2	-	-	-	920,212	-	920,212	21%
Deposits with banks	9.1.3				3,064		3,064	0%
Loans to executives	9.1.4	217,971	-	68,283	-	-	286,254	7%
Trade and other receivables	9.1.6	-	-	2,516,465	-	-	2,516,465	59%
Amounts due from related parties	9.1.7	-	-	-	-	2,803	2,803	0%
Cash in hand and at bank	9.1.8	-	552,083	-	-	-	552,083	13%
Total credit risk exposure		217,971	552,083	2,584,748	923,276	2,803	4,280,881	100%
Financial Assets at fair value through OCI	9.1.5	5,392,863	-	-	-	-		
Total equity risk exposure		5,392,863	-	-	-	-		
Total		5,610,834	552,083	2,584,748	923,276	2,803		

As at 31st March		2019						
Company	Notes	Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short-term investments	Amounts due from related parties	Total	% of allocation
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Government securities	9.1.2	-	-	-	52,010	-	52,010	2%
Loans to executives	9.1.4	136,690	-	54,988	-	-	191,678	9%
Trade and other receivables	9.1.6	-	-	1,561,432	-	-	1,561,432	74%
Amounts due from related parties	9.1.7	-	-	-	-	58,569	58,569	3%
Cash in hand and at bank	9.1.8	-	249,623	-	-	-	249,623	12%
Total credit risk exposure		136,690	249,623	1,616,420	52,010	58,569	2,113,312	100%
Financial Assets at fair value through OCI	9.1.5	7,016,115	-	-	-	-		
Total equity risk exposure		7,016,115	-	-	-	-		
Total		7,152,805	249,623	1,616,420	52,010	58,569		

Notes to the Financial Statements

9.1.1 Credit risk exposure (Contd.)

As at 31st March Company	Notes	2018 Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Short-term investments Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Government securities	9.1.2	-	-	-	486,001	-	486,001	19%
Deposits with banks	9.1.3	-	-	-	3,064	-	3,064	0%
Loans to executives	9.1.4	129,013	-	49,237	-	-	178,250	7%
Trade and other receivables	9.1.6	-	-	1,663,116	-	-	1,663,116	64%
Amounts due from related parties	9.1.7	-	-	-	-	42,365	42,365	2%
Cash in hand and at bank	9.1.8	-	212,072	-	-	-	212,072	8%
Total credit risk exposure		129,013	212,072	1,712,353	489,065	42,365	2,584,868	100%
Financial Assets at fair value through OCI	9.1.5	5,392,863	-	-	-	-		
Total equity risk exposure		5,392,863	-	-	-	-		
Total		5,521,876	212,072	1,712,353	489,065	42,365		

9.1.2 Government securities

As at 31st March 2019, investments in government securities consist of reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

9.1.3 Deposit with Banks

The Company and the Group did not have call or fixed deposits as at 31.03.2019.

As at 31st March	Group 2019 Rs. '000	Rating % of Total	2018 Rs. '000	Rating % of Total	Company 2019 Rs. '000	Rating % of Total	2018 Rs. '000	Rating % of Total
A-	-	-	3,064	100%	-	-	3,064	100%
AA	-	-	-	-	-	-	-	-
AAA	-	-	-	-	-	-	-	-
Total	-	-	3,064	100%	-	-	3,064	100%

9.1.4 Loans to executives

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

9.1.5 Financial Assets at fair value through OCI

The unquoted equity investment in Waterfront Properties (Pvt) Ltd is classified as a financial assets at fair value through OCI. The Company shareholding as at the reporting date was 13.80% (2018 - 16.69%).

All unquoted equity investments are made after obtaining the Board of Directors approval.

9.1.6 Trade and other receivables

As at 31st March	Days	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Neither past due nor impaired					
	<30	2,500,567	2,031,650	1,265,912	1,381,475
	30–60	491,632	371,548	256,316	238,623
	61–90	48,384	91,918	29,759	30,879
Past due but not impaired					
	91–120	12,935	16,508	7,183	12,139
	121–180	13,008	321	2,262	-
	> 181	6,694	4,520	-	-
Impaired		47,614	20,037	45,147	17,446
Gross carrying value		3,120,834	2,536,502	1,606,579	1,680,562
Less:					
Provision for expected credit losses		(47,614)	(20,037)	(45,147)	(17,446)
Total		3,073,220	2,516,465	1,561,432	1,663,116

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 major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

9.1.7 Amounts due from related parties

The Group's amount due from related parties mainly consists of the balances from affiliate companies and Parent.

9.1.8 Credit risk relating to cash and cash equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure. The Group held a negative balance of cash and cash equivalents of Rs.6,658 Mn at 31st March 2019 (2018 - Rs. 1,608 Mn).

9.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, overdrafts over a broad spread of maturities.

Notes to the Financial Statements

9.2.1 Net (debt)/cash

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short-term investments	52,010	923,276	52,010	489,065
Cash in hand and at bank	713,817	552,083	249,623	212,072
Total liquid Assets	765,827	1,475,359	301,633	701,137
Interest-bearing loans and borrowings	1,458,333	1,958,333	-	-
Short-term borrowings	1,646,315	-	-	-
Current portion of Interest-bearing loans and borrowings	500,000	500,000	-	-
Bank overdrafts	7,423,533	3,083,747	240,377	148,238
Total liquid liabilities	11,028,181	5,542,080	240,377	148,238
Net cash/(debt)	(10,262,354)	(4,066,721)	61,256	552,899

The Group has access to sufficient sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

9.2.2 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 31st March 2019 based on contractual undiscounted payments.

As at 31st March	2019						
Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial instruments in non-current liabilities							
Interest-bearing loans and borrowings	-	614,706	568,046	479,719	-	-	1,662,471
Financial instruments in current liabilities							
Trade and other payable	7,367,446	-	-	-	-	-	7,367,446
Amounts due to related parties	301,971	-	-	-	-	-	301,971
Short-term borrowings	1,646,315	-	-	-	-	-	1,646,315
Current portion of Interest-bearing loans and borrowings	661,366	-	-	-	-	-	661,366
Bank overdrafts	7,423,533	-	-	-	-	-	7,423,533
	17,400,631	614,706	568,046	479,719	-	-	19,063,102

As at 31st March	2018						
Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial instruments in non-current liabilities							
Interest bearing loans and borrowings	-	657,527	611,977	566,427	524,673	-	2,360,604
Financial instruments in current liabilities							
Trade and other payable	6,413,243	-	-	-	-	-	6,413,243
Amounts due to related parties	213,365	-	-	-	-	-	213,365
Current portion of Interest bearing loans and borrowings	703,077	-	-	-	-	-	703,077
Bank overdrafts	3,083,747	-	-	-	-	-	3,083,747
	10,413,432	657,527	611,977	566,427	524,673	-	12,774,036

As at 31st March	2019						
Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial instruments in current liabilities							
Trade and other payable	1,151,572	-	-	-	-	-	1,151,572
Amounts due to related parties	5,414	-	-	-	-	-	5,414
Bank overdrafts	240,377	-	-	-	-	-	240,377
	1,397,363	-	-	-	-	-	1,397,363

As at 31st March	2018						
Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial instruments in current liabilities							
Trade and other payable	1,158,883	-	-	-	-	-	1,158,883
Amounts due to related parties	1,087	-	-	-	-	-	1,087
Bank overdrafts	148,238	-	-	-	-	-	148,238
	1,308,208	-	-	-	-	-	1,308,208

Notes to the Financial Statements

9.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Foreign Currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group and the Company do not have an direct impact from the Commodity price risk and the Equity price risk

The sensitivity analysis in the following sections relate to the position as at 31st March 2019 and 2018.

The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligations provisions and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.
- This is based on the financial assets and financial liabilities held at 31st March 2019 and 2018.

9.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, 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).

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

For the year ended 31st March	Increase/ (decrease) in basis points	Group Effect on profit before tax Rs. '000	Company Effect on profit before tax Rs. '000
2019	+ 12 basis points	2,208	-
	- 12 basis points	(2,208)	-
2018	+ 24 basis points	9	9
	- 24 basis points	(9)	(9)

9.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. JKH Group treasury analyses the market condition of foreign exchange and provides market updates to the GEC, with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decisions rights given by Board of Directors.

Exchange rate	Increase/ (decrease) in exchange rate	Group		Company	
		Effect on profit before tax Rs. '000	Effect on equity Rs. '000	Effect on profit before tax Rs. '000	Effect on equity Rs. '000
2019					
USD	+/- 15.28%	7,503	7,503	7,503	7,503
Euro	+/- 6.42%	88	88	88	88
GBP	+/- 8.97%	1,902	1,902	1,902	1,902
2018					
USD	+/- 2.91%	2,273	2,273	2,273	2,273
Euro	+/- 19.01%	2,877	2,877	2,877	2,877
GBP	+/- 15.68%	1,684	1,684	1,684	1,684
SGD	+/- 9.47%	76	76	76	76

Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

9.3.3 Equity price risk

The Group’s unquoted equity instruments are susceptible to market price risk arising from uncertainties about future values of the investment instruments.

9.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

As at 31st March	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Debt / Equity	71.61	40.50	1.67	1.20

The increase in the debt to equity ratio is due to borrowing in the short-term to finance the retail segment’s operational growth. Having access to sufficient sources of funding, the debt maturing within 12 months can be rolled over with existing lenders. Further with the expected growth in the retail sector debt will be served on timely manner.

10. Fair Value Measurement and Related Fair Value Disclosures

Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- Investment in unquoted equity shares (Note 26)
- Property, plant and equipment under revaluation model (Note 20)
- Investment properties (Note 22)
- Financial Instruments (including those carried at amortised cost) (Note 11)

Notes to the Financial Statements

10. Fair Value Measurement and Related Fair Value Disclosures (Contd.)

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted equity instruments, and for nonrecurring measurement, such as assets held for sale 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.

Fair value hierarchy

10.1 Fair value measurement hierarchy - Group

The Group held the following financial instruments carried at fair value in the statement of financial position:

Financial assets

As at 31st March	Date of Valuation	Level 1		Level 2		Level 3	
		2019	2018	2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted equity investments	31.03.2019	-	-	-	-	7,016,115	-

Reconciliation of fair value measurements of level 3 financial instruments

The Group and the Company carries unquoted equity shares as equity instruments designated at fair value through OCI classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below;

	Group	Company
	Rs. '000	Rs. '000
As at 1st April 2018	5,392,863	5,392,863
Impact of reclassifying financial investments from AFS held at cost to FVOCI	1,617,859	1,617,859
Remeasurement recognised in OCI	5,393	5,393
As at 31st March 2019	7,016,115	7,016,115

Non-Financial assets

As at 31st March	Date of Valuation	Level 1		Level 2		Level 3	
		2019	2018	2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, Plant and Equipment							
Land and buildings	31.12.2018	-	-	-	-	1,427,767	1,330,607
Buildings on lease hold land	31.12.2018					1,040,367	530,529
Investment Property							
Land and buildings	31.12.2018	-	-	-	-	254,034	228,601

10.2 Fair value measurement hierarchy - Company

The Company held the following financial instruments carried at fair value in the statement of financial position:

Financial assets

As at 31st March	Date of Valuation	Level 1		Level 2		Level 3	
		2019	2018	2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted equity investments	31.03.2019	-	-	-	-	7,016,115	-

Refer note 10.1 for the reconciliation of fair value measurements of level 3 financial instruments of the Company.

Notes to the Financial Statements

10.2 Fair value measurement hierarchy - Company (Contd.)

Non-Financial Assets

As at 31st March	Date of Valuation	Level 1 2019 Rs. '000	Level 1 2018 Rs. '000	Level 2 2019 Rs. '000	Level 2 2018 Rs. '000	Level 3 2019 Rs. '000	Level 3 2018 Rs. '000
Property, Plant and Equipment							
Land and buildings	31.12.2018	-	-	-	-	1,427,767	1,330,607
Investment Property							
Land and buildings	31.12.2018	-	-	-	-	254,034	228,601

In determining the fair value of non-financial assets of the Company and the Group, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also the valuers have made reference to market evidence of the transaction prices for similar properties, with appropriate adjustments for the size and location. The appraised fair values are rounded within the range of values.

10.3 Basis of valuation of financial and non-financial assets - Group and Company

Financial Assets	2019 Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs (Probability Weighted Average)	Sensitivity of fair value to unobservable Input
Unquoted equity investment				
Waterfront Properties (Pvt) Ltd (Subsidiary of JKH)	Adjusted net asset method - estimates the fair market value of the Company by subtracting the total liabilities from the total assets, after adjusting the balance sheet to fair market value	Adjusted net assets per share	Rs. 13.00 - Rs. 13.01	Positively correlated
	Further, value of the instrument has been adjusted to compensate for the liquidity and minority holding of the investment	Estimated discount rate	10%	Negatively correlated

Non-Financial Assets	2019 Valuation Techniques	Sensitivity of fair value to unobservable Input	Unobservable Inputs	Range of Unobservable Inputs (Probability Weighted Average)	Extent Land (Perches) Buildings (Square feet) Group	Company
Property, Plant and Equipment						
Land	Open Market	Positively Correlated	Per Perch Value	Rs. 150,000 - Rs.175,000	4,376	4,376
Buildings	Open Market/ Investment Method	Positively Correlated	Per Square foot Value	Rs. 30 - Rs.5,000	531,116	313,024
Investment Property						
Land	Open Market	Positively Correlated	Per Perch Value	Rs. 1,250,000	169.55	169.55
Buildings	Open Market	Positively Correlated	Per Square foot Value	Rs. 1,000 - Rs. 2,250	19,071	19,071

Non-Financial Assets	2018					
	Valuation Techniques	Sensitivity of fair value to unobservable Input	Unobservable Inputs	Range of Unobservable Inputs (Probability Weighted Average)	Extent Land (Perches) Buildings (Square feet)	
					Group	Company
Property, Plant and Equipment						
Land	Open Market	Positively Correlated	Per Perch Value	Rs. 140,000 - Rs.160,000	4,376	4,376
Buildings	Open Market/ Investment Method	Positively Correlated	Per Square foot Value	Rs. 30 - Rs.5,000	457,260	313,024
Investment Property						
Land	Open Market	Positively Correlated	Per Perch Value	Rs. 1,100,000	169.55	169.55
Buildings	Open Market	Positively Correlated	Per Square foot Value	Rs. 1,000 - Rs. 2,250	19,071	19,071

11. Financial Instruments and Related Policies

Accounting Policy

Financial Instruments-Initial recognition and subsequent measurement

Financial Assets

Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the Solely Payments of Principal and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost
- Financial assets designated at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Notes to the Financial Statements

11. Financial Instruments and Related Policies (Contd.)

Accounting Policy

Debt instruments

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired, for the Group and the Company 37% and 23% of the instruments respectively, belongs to this category.

The Group's and the Company's financial assets at amortised cost includes trade and other receivables,amounts due from related parties, short term investments, loans and receivables and cash in hand and at bank.

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

The Group and the Company have no debt instruments that is carried at fair value through OCI as at the reporting date.

Equity instruments

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under SLFRS 9 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subjected to impairment assessment.

The Group elected to classify irrevocably its unquoted equity investments under this category.

63% of the Group's and 77% of the Company's instruments belongs to this category.

The Group's and the Company's financial assets at fair value through OCI includes unquoted equity investment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group and the Company have no equity instruments that is carried at fair value through profit or loss as at the reporting date.

Financial assets - derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

From 1st April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Notes to the Financial Statements

11. Financial instruments and related policies (Contd.)

Accounting Policy (Contd.)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs in case the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

11.1 Financial assets by categories

	Group				Company			
	Financial assets at amortised cost		Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition		Financial assets at amortised cost		Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Financial instruments in non-current assets								
Non-current financial assets	256,538	217,971	7,016,115	5,392,863	136,690	129,013	7,016,115	5,392,863
Financial instruments in current assets								
Trade and other receivables	3,153,862	2,584,748	-	-	1,616,420	1,712,353	-	-
Amounts due from related parties	3,753	2,803	-	-	58,569	42,365	-	-
Short-term investments	52,010	923,276	-	-	52,010	489,065	-	-
Cash in hand and at bank	713,817	552,083	-	-	249,623	212,072	-	-
Total	4,179,980	4,280,881	7,016,115	5,392,863	2,113,312	2,584,868	7,016,115	5,392,863

11.2 Financial liabilities by categories

As at 31st March	Group		Company	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Financial instruments in non-current liabilities				
Interest-bearing loans and borrowings	1,458,333	1,958,333	-	-
Financial instruments in current liabilities				
Trade and other payables	7,367,446	6,413,243	1,151,572	1,158,883
Amounts due to related parties	301,971	213,365	5,414	1,087
Short-term borrowings	1,646,315	-	-	-
Interest-bearing loans and borrowings	500,000	500,000	-	-
Bank overdrafts	7,423,533	3,083,747	240,377	148,238
Total	18,697,598	12,168,688	1,397,363	1,308,208

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, short-term 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.

12. Revenue

Accounting Policy

12.1 Contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

12.2 Disaggregation of revenue

The Group presented disaggregated revenue with Group's reportable segments based on timing of revenue recognition has been stated below;

Further disaggregation of revenue according to geographical segments have been disclosed in the operating segment information section in note 6.

For the year ended 31st March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Goods transferred at a point in time				
Manufacturing	13,522,608	13,352,266	11,625,320	13,649,255
Retail	45,537,404	37,590,164	-	-
Total revenue from contracts with customers	59,060,012	50,942,430	11,625,320	13,649,255

Inter-segment revenue has been eliminated for the Group.

Notes to the Financial Statements

Accounting Policy (Contd.)

12.3 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segment has been provided in the operating segment information section in note 6.

12.4 Contract balances

Contract assets

Contract assets are Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. As at 31st March 2019 the Group and the Company has no contract assets.

Contract liabilities

Contract liabilities are Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties, and loyalty points not yet redeemed. Contract liabilities of the Group have been disclosed in other current liabilities in note 40.

12.5 Performance obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

Consumer food

Consumer food segment which includes Ceylon Cold Stores PLC and The Colombo Ice Company (Pvt) Ltd focuses on manufacturing of Beverages and Frozen Confectionery. Revenue is recognised at the point in time when the control of the asset is transferred to the customer, which is generally upon delivery of the goods. Revenue is measured based on actual sales, and therefore the output method is used for revenue recognition.

Retail

The Retail sector which includes Jaykay Marketing Services (Pvt) Ltd focuses on modern organised retailing through chain of supermarkets.

Revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

Customers who purchase from outlets may enter the entity's customer loyalty programme and earn points that are redeemable against future purchases of the entity's products. The entity will allocate a portion of the transaction price to the loyalty programme based on relative standalone selling price.

13. Dividend Income

Accounting Policy

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

For the year ended 31st March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Dividend income from Subsidiary	-	-	712,902	746,060

14. Other Operating Income and Other Operating Expenses

Accounting Policy

Other income and expenses

Other income and expenses are recognised on an accrual basis.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non- current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

	Group		Company	
For the year ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
14.1 Other Operating Income				
Exchange gain	26,663	6,132	23,611	5,240
Promotional income	1,074,832	1,188,012	-	-
Write back of dealer deposits	9,278	9,216	9,278	9,216
Scrap sales	11,818	11,265	11,225	11,265
Rental income	123,064	112,781	261	-
Franchise income	39,468	39,237	13,452	12,388
Realised gain on lease rights forgone	-	13,339	-	-
Royalty income	15,695	10,089	99,897	10,089
Shared service fee	-	-	85,028	-
Utility collection commission	135,495	163,735	-	-
Write back of expired gift vouchers and Nexus points	87,702	1,923	-	-
Sundry income	185,548	2,608	31,424	17,387
	1,709,563	1,558,337	274,176	65,585
14.2 Other Operating Expenses				
Nation Building Tax	732,188	632,753	197,531	229,793
Spoilage and wastage	134,772	68,980	110,612	68,980
Bank charges	8,814	8,201	4,587	5,448
Cash collection charges	33,556	25,951	-	-
Loss on disposal of property, plant and equipment	176,408	34,915	8,735	19,131
Other expenses	4,397	4,291	3,425	3,392
	1,090,135	775,091	324,890	326,744

Notes to the Financial Statements

15. Net Finance Income/(Cost)

Accounting Policy

Finance income

Finance income comprises interest income on funds invested and interest income on financial guarantees that are recognized in the income statement.

For all financial instruments measured at amortised cost, interest income is recorded using the Effective Interest Rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Finance costs

Finance costs comprise interest expense on borrowings that are recognised in the income statement.

Interest expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

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 a 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.

	Group		Company	
For the year ended 31st March	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Finance income				
Interest income - staff loans	39,546	30,435	22,317	19,146
Interest income - short-term investments	18,926	100,058	12,086	77,452
Interest income - corporate guarantee given to the Subsidiary*	-	-	12,500	6,890
Total finance income	58,472	130,493	46,903	103,488
Finance cost				
Interest expense on borrowings				
Long-term	(167,546)	(478)	-	(478)
Short-term	(479,355)	(31,478)	(11,446)	(195)
Total finance cost	(646,901)	(31,956)	(11,446)	(673)
Net finance income/(cost)	(588,429)	98,537	35,457	102,815

*Represents the notional guarantee fee recognised in the books of the Company on account of the corporate guarantee given to the Subsidiary, The Colombo Ice Company (Pvt) Ltd to obtain a term loan from a commercial bank. Please refer note 36.3 for further information.

16. Profit Before Tax

Accounting Policy

Expenditure recognition

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

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

Profit before tax is stated after charging all expenses including the following;

For the year ended 31st March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Remuneration to Executive Directors	45,449	44,350	23,410	28,509
Remuneration to Non-Executive Directors	8,475	9,300	6,900	7,500
Auditors' remuneration				
Audit	2,574	2,515	1,500	1,415
Non-audit	122	113	122	113
Costs of defined employee benefits				
Defined benefit plan (gratuity) cost	101,153	93,951	60,173	62,032
Defined contribution plan cost - EPF and ETF	321,528	261,344	123,298	119,321
Other long-term employee benefits cost	16,720	-	10,656	-
Staff expenses	4,812,568	3,913,478	1,817,004	1,823,251
Excise Duty	1,420,606	1,592,150	1,420,606	1,592,150
Share based payment expenses	79,284	94,370	55,294	68,368
Depreciation of property, plant and equipment	1,306,780	911,407	491,713	474,854
Amortisation of intangible assets	45,755	13,274	2,390	3,338
Operating lease payments	40,134	38,222	40,134	38,222
Amortisation of lease rentals paid in advance	3,026	11,180	-	-
Loss on disposal of property, plant and equipment	176,408	34,915	8,735	19,131
Corporate social responsibility related expenses	25,957	32,368	9,850	17,608
Donations	1,015	458	1,005	446

Notes to the Financial Statements

17. Earnings per Share (EPS)

Accounting Policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	Group	
For the year ended 31st March	2019 Rs. '000	2018 Rs. '000
Basic earnings per share		
Profit for the year	1,310,165	2,567,455
Dividend on preference shares	(14)	(14)
Profit attributable to equity holders of the parent	1,310,151	2,567,441
Weighted average number of ordinary shares	95,040	95,040
Basic earnings per share (Rs.)	13.79	27.01
Amount used as denominator		
Weighted average number of ordinary shares outstanding during the year (No. '000)	95,040	95,040

18. Dividend per Share (DPS)

Equity dividend on ordinary shares

For the year ended 31st March	2019		2018	
	Rs.	Rs. '000	Rs.	Rs. '000
Declared and paid during the year				
Final dividend*	8.00	760,320	8.00	760,320
Interim dividend	7.00	665,280	7.00	665,280
Total dividend	15.00	1,425,600	15.00	1,425,600

*Previous years' final dividend is paid in the current financial year.

The final proposed dividend of Rs. 8.00 per share for the financial year ended 31st March 2019 has not been recognised as a liability at the reporting date in compliance with LKAS 10 - Events after the Reporting Period.

19. Taxes

Accounting Policy

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

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. The 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.

The management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

The Group has conformed with the arm's length principles relating to Transfer Pricing, as prescribed in the Inland Revenue Act, and has complied with the related Gazette Notifications issued by the Minister of Finance.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

- Where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deducible temporary differences associated with investments in subsidiaries and associates 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 realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

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

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Financial Statements

For the year ended 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
19.1 Tax expense					
Current income tax					
Tax charge for the period	19.5	417,284	893,492	417,284	609,507
Under/(over) provision of current tax of previous years	19.5	(5)	6,425	-	-
10% and 14% Withholding tax on inter-company dividends		116,055	82,896	-	-
Deferred tax					
Relating to origination and reversal of temporary differences	19.2	199,149	200,090	10,524	38,767
		732,483	1,182,903	427,808	648,274

For the year ended 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
19.2 Deferred tax expense				
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	375,600	210,903	10,117	46,041
Employee benefit liabilities	(11,683)	(10,813)	(2,136)	(7,274)
Revaluation of investment property to fair value	2,543	-	2,543	-
Benefit arising from tax losses	(167,311)	-	-	-
Deferred tax charged directly to income statement	199,149	200,090	10,524	38,767
Other comprehensive income				
Deferred tax expense arising from;				
Acturial gain on employee benefit liabilities	380	5,133	1,631	4,381
Revaluation of buildings	27,276	8,598	6,879	6,213
Revaluation of land	18,259	183,177	18,259	183,177
Gain on financial assets valued at fair value through OCI	539	-	539	-
Deferred tax charged directly to other comprehensive income	46,454	196,908	27,308	193,771
Deferred tax on SLFRS 9 transitional adjustments	(14,561)	-	(14,561)	-
Total deferred tax charge	231,042	396,998	23,271	232,538

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
19.3 Deferred tax liabilities				
At the beginning of the year	1,389,306	992,308	843,864	611,326
Charge	199,149	200,090	10,524	38,767
Tax on other comprehensive income	46,454	196,908	27,308	193,771
Deferred tax on SLFRS 9 transitional adjustments	(14,561)	-	(14,561)	-
At the end of the year	1,620,348	1,389,306	867,135	843,864
The closing deferred tax liability balances relate to the followings;				
Accelerated depreciation for tax purposes	1,649,726	1,273,041	725,028	714,041
Employee benefit liabilities	(146,834)	(126,981)	(110,084)	(99,777)
Losses available for set off against future taxable income	(167,311)	-	-	-
Tax effect on capita gain from investment property	2,543	-	2,543	-
Tax effect on actuarial gain/(loss)	(2,721)	(10,188)	4,806	(4,126)
Tax effect on capital gain from land	201,436	183,177	201,436	183,177
Tax effect on revaluation of buildings	97,531	70,257	57,428	50,549
Tax effect on gain on financial assets valued at fair value through OCI	539	-	539	-
Deferred tax on SLFRS 9 transitional adjustments	(14,561)	-	(14,561)	-
	1,620,348	1,389,306	867,135	843,864

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
19.4 Income tax liabilities				
At the beginning of the year	197,504	589,168	144,402	421,821
Charge for the year	417,284	893,492	417,284	609,507
10% and 14% Withholding tax on inter-company dividends	116,055	82,896	-	-
Under/(over) provision of current tax of previous years	(5)	6,425	-	-
Payments	(451,639)	(1,112,634)	(334,918)	(812,398)
Set-off against tax refunds	(114,675)	(252,688)	(62,244)	(66,925)
Tax credits	(13,284)	(9,155)	(13,284)	(7,603)
At the end of the year	151,240	197,504	151,240	144,402

Notes to the Financial Statements

19. Taxes (Contd.)

Accounting judgements, estimates and assumptions

The Group is subjected to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes due to uncertainties that exist with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

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

The Group has contingent liabilities amounting to Rs. 36.5 Mn (2018 – Rs. 35 Mn) in relation to income tax assessments relating to years of assessments 2011/12, 2012/13 and 2013/14. These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited at the reporting date. Further details on contingent liabilities are disclosed in note 43 in the financial statement.

	Group		Company	
For the year ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
19.5 Reconciliation between current tax charge and the accounting profit				
Profit before tax	2,042,648	3,750,358	2,114,362	3,025,144
Share of results of equity accounted investees	-	9,949	-	-
Consolidation adjustments	715,120	744,720	-	-
Profit after adjustment	2,757,768	4,505,027	2,114,362	3,025,144
Exempt profits	-	(29,833)	-	(29,754)
Income not liable for income tax	(724,157)	(749,138)	(724,157)	(749,138)
Adjusted accounting profit chargeable to income taxes	2,033,611	3,726,056	1,390,205	2,246,252
Disallowable expenses	1,821,074	1,282,354	694,069	684,923
Allowable expenses	(2,960,921)	(1,796,575)	(592,974)	(733,572)
Qualifying payment deductions	(1,000)	(296)	(1,000)	(296)
Current year tax losses not utilized	597,536	-	-	-
Taxable income	1,490,300	3,211,539	1,490,300	2,197,307
Income tax charged at				
Standard rate of 28%	417,284	889,188	417,284	605,203
Other concessionary rates	-	4,304	-	4,304
Under/(over) provision of current tax of previous year	(5)	6,425	-	-
Current tax charge	417,279	899,917	417,284	609,507

For the year ended 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
19.6 Reconciliation between tax expense and the product of accounting profit				
Adjusted accounting profit chargeable to income taxes	2,033,611	3,726,056	1,390,205	2,246,252
Tax effect on chargeable profits	569,413	1,045,305	389,258	623,001
Tax effect on non deductible expenses	35,430	55,600	21,233	34,621
Employee benefit liability (gratuity) transfers/acturial gain or loss	6,942	1,588	7,735	5
Tax effect on deductions claimed	(14,113)	(6,025)	(10,953)	(6,025)
10% and 14% Withholding tax on inter-company dividends	116,055	82,896	-	-
Net tax effect of unrecognised deferred tax assets for the year	18,761	(2,886)	20,535	(3,328)
Under/(over) provision for previous years	(5)	6,425	-	-
Tax expense	732,483	1,182,903	427,808	648,274

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
19.7 Income tax recoverable				
At the beginning of the year	-	-	-	-
Economic Service Charge paid	174,383	-	-	-
Withholding taxes paid	8,744	-	-	-
At the end of the year	183,127	-	-	-

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
19.8 Tax losses carried forward				
Tax losses brought forward	-	-	-	-
Tax losses arising during the year	597,536	-	-	-
At the end of the year	597,536	-	-	-

19.9 Applicable rates of income tax

The tax liability of the Group and the Company is computed at the standard rate of 28% (2017/18 - 28% except for qualified export profits taxed at the rate of 12%).

Although, The Colombo Ice Company (Pvt) Ltd is a Board of Investment (BOI) approved enterprise, the business profits of the enterprise has been subject to the standard rate of tax at 28% from its inception.

Notes to the Financial Statements

20. Property, Plant and Equipment

Accounting Policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

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.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve related to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Company has adopted a policy of revaluing land and building at least once every 5 years.

The Subsidiaries Jaykay Marketing Services (Pvt) Ltd and The Colombo Ice Company (Pvt) Ltd have adopted a policy of revaluing its buildings on leasehold land by a professional valuer after the asset completes 3 years of its useful life as the management believes that within the first 3 years, the initial recognition amount represents the assets' fair value.

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	20-50
Building on leasehold land	25 or over the period of lease
Plant and machinery	3-30
Equipment, furniture and fittings	5- 15
Motor vehicles	3-15
Others assets	3-20
Returnable containers	4 -10

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.

Borrowing costs

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

Impairment of property, plant and equipment

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

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognized against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the Financial Statements

20. Property, Plant and Equipment (Contd.)

20.1

As at 31st March	Land and buildings Rs. '000	Buildings on leasehold land improvements Rs. '000	Plant and machinery Rs. '000	Equipment, furniture and fittings Rs. '000	Motor vehicles Rs. '000	Returnable containers Rs. '000	Others Rs. '000	Capital work in progress Rs. '000	Total 2019 Rs. '000	Total 2018 Rs. '000
Group										
Cost or valuation										
At the beginning of the year	1,367,138	3,343,430	5,155,527	1,732,208	142,069	986,270	2,597,321	3,066,190	18,390,153	12,905,463
Additions	27,105	1,897,659	2,434,172	1,352,641	33,693	7,488	507,891	323,622	6,584,271	5,633,862
Disposal	-	(3,840)	(99,742)	(334,072)	(7,528)	(64,156)	(82,515)	(2,886)	(594,739)	(153,420)
Revaluations	89,779	72,841	-	-	-	-	-	-	162,620	75,238
Transfers*	(1,537)	1,251,400	1,595,395	3,030	-	-	37,095	(2,887,238)	(1,855)	-
Transfers (from revaluation adjustment)	(37,447)	(89,093)	-	-	-	-	-	-	(126,540)	(70,990)
At the end of the year	1,445,038	6,472,397	9,085,352	2,753,807	168,234	929,602	3,059,792	499,688	24,413,910	18,390,153
Accumulated depreciation and impairment										
At the beginning of the year	(18,145)	(223,578)	(2,313,413)	(777,662)	(86,127)	(594,767)	(1,507,804)	-	(5,521,496)	(4,798,330)
Charge for the year	(26,397)	(237,848)	(511,736)	(236,199)	(11,310)	(64,632)	(218,786)	-	(1,306,908)	(911,407)
Disposal	-	1,521	70,671	194,825	7,528	53,891	80,530	-	408,966	117,251
Transfers*	414	-	-	(223)	-	-	(15)	-	176	-
Transfers (from revaluation adjustment)	37,447	89,093	-	-	-	-	-	-	126,540	70,990
At the end of the year	(6,681)	(370,812)	(2,754,478)	(819,259)	(89,909)	(605,508)	(1,646,075)	-	(6,292,722)	(5,521,496)
Carrying value:										
As at 31st March 2019										
At valuation	1,427,767	1,040,367	-	-	-	-	-	-	2,468,134	
At cost	10,590	5,061,218	6,330,874	1,934,548	78,325	324,094	1,413,717	499,688	15,653,054	
	1,438,357	6,101,585	6,330,874	1,934,548	78,325	324,094	1,413,717	499,688	18,121,188	
As at 31st March 2018										
At valuation	1,330,607	530,529	-	-	-	-	-	-		1,861,136
At Cost	18,386	2,589,323	2,842,114	954,546	55,942	391,503	1,089,517	3,066,190		11,007,521
	1,348,993	3,119,852	2,842,114	954,546	55,942	391,503	1,089,517	3,066,190		12,868,657

*Transfers include, transfers from capital work in progress and between classes of assets.

As at 31st March	Land and buildings Rs. '000	Plant and machinery Rs. '000	Equipment, furniture and fittings Rs. '000	Motor vehicles Rs. '000	Returnable containers Rs. '000	Others Rs. '000	Capital work in progress Rs. '000	Total 2019 Rs. '000	Total 2018 Rs. '000
Company									
Cost or valuation									
At the beginning of the year	1,367,138	3,139,389	79,569	141,343	986,269	2,231,359	1,116	7,946,183	7,575,588
Additions	27,105	69,867	14,263	33,693	7,488	275,629	-	428,045	426,926
Disposal	-	(9,519)	(10,301)	(7,528)	(64,156)	(68,798)	-	(160,302)	(107,289)
Revaluations	89,779	-	-	-	-	-	-	89,779	66,719
Transfers*	(1,537)	1,116	1,174	-	-	-	(1,116)	(363)	-
Transfers (from revaluation adjustment)	(37,447)	-	-	-	-	-	-	(37,447)	(15,761)
At the end of the year	1,445,038	3,200,853	84,705	167,508	929,601	2,438,190	-	8,265,895	7,946,183
Accumulated depreciation and impairment									
At the beginning of the year	(18,145)	(1,719,976)	(48,340)	(85,661)	(594,766)	(1,357,609)	-	(3,824,497)	(3,453,284)
Charge for the year	(26,397)	(223,577)	(9,640)	(11,186)	(64,632)	(156,281)	-	(491,713)	(474,854)
Disposal	-	9,047	9,799	7,528	53,891	68,792	-	149,057	87,880
Transfers*	414	-	(366)	-	-	-	-	48	-
Transfers (from revaluation adjustment)	37,447	-	-	-	-	-	-	37,447	15,761
At the end of the year	(6,681)	(1,934,506)	(48,547)	(89,319)	(605,507)	(1,445,098)	-	(4,129,658)	(3,824,497)
Carrying value:									
As at 31st March 2019									
At valuation	1,427,767	-	-	-	-	-	-	1,427,767	
At Cost	10,590	1,266,347	36,158	78,189	324,094	993,092	-	2,708,470	
	1,438,357	1,266,347	36,158	78,189	324,094	993,092	-	4,136,237	
Carrying value:									
As at 31st March 2018									
At valuation	1,330,607	-	-	-	-	-	-		1,330,607
At Cost	18,386	1,419,413	31,229	55,682	391,503	873,750	1,116		2,791,079
	1,348,993	1,419,413	31,229	55,682	391,503	873,750	1,116		4,121,686

*Transfers include, transfers from capital work in progress and between classes of assets.

Notes to the Financial Statements

20.2 Revaluation of land and buildings

Accounting judgements,estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged Messrs. P B Kalugalagedara & Associates, an independent expert valuer, to determine the fair value of its land and buildings and they have carried out the valuation in accordance with Sri Lanka Accounting Standards and International Valuation Standards published by the International Valuation Standards Committee (IVSC). Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation carried out was on 31st December 2018.

The changes in fair value recognised in other comprehensive income and in the statement of equity.

Details of Group's land and buildings stated at valuation are indicated below.

Property	Name of Chartered Valuation surveyor	Method of valuation	Sensitivity of unobservable inputs Estimated price				Correlation to fair value
			Per perch		Per square foot		
			2019	2018	2019	2018	
Land							Positive
Ceylon Cold Stores PLC	P.B.Kalugalagedara	Open market value method	Rs.150,000 - Rs.175,000	Rs.140,000 - Rs.160,000			
Buildings							
Ceylon Cold Stores PLC	P.B.Kalugalagedara	Open market value method			Rs.500 - Rs.5,000	Rs.500 - Rs.5,000	Positive
Jaykay Marketing Services (Pvt) Ltd	P.B.Kalugalagedara	Investment method*			Rs.30 - Rs.225	Rs.30 - Rs.175	Positive

* The investment method is used to value properties which are yet to produce income for the investor. Conventionally investment value is a product of rent and yield. Each of these elements are derived using comparison techniques.

20.3 The carrying amount of revalued buildings of the Group if they were carried at cost less depreciation and impairment, would be as follows;

	Group		Company	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cost	1,592,145	1,040,507	451,138	425,570
Accumulated depreciation and impairment	(323,989)	(242,216)	(106,367)	(104,201)
Carrying value	1,268,156	798,291	344,771	321,369

20.4 Property, plant and equipment that have been fully depreciated and continue to be in use by the Group are as follows.

	Group		Company	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cost of fully depreciated assets	1,802,700	1,757,890	1,296,700	1,237,890

20.5 During the year, borrowing costs of Rs. 36 Mn (126.6 Mn in 2017/18) incurred on construction of new factory premises at Awissawella by The Colombo Ice Company (Pvt) Ltd (CICL) were capitalised.

	Year	Borrowing cost incurred Rs. Mn	Borrowing cost capitalised Rs. Mn
The Colombo Ice Company (Pvt) Ltd	2018/19	203.6	36
The Colombo Ice Company (Pvt) Ltd	2017/18	126.6	126.6
The Colombo Ice Company (Pvt) Ltd	2016/17	1.8	1.8

Borrowing cost incurred after commissioning the plant on the 12th of June 2018 have been charged to the income statement.

Details of the loan is given under note 36.3.

20.6 The Group has constructed buildings on leasehold land. Future minimum lease payments under non-cancellable operating leases of land are as disclosed in note 45.

20.7 Other assets of the Company mainly comprise of freezers, bottle coolers and crates. The net book value of those assets are as follows;

	2019			2018		
As at 31st March	Freezers Rs. '000	Coolers Rs. '000	Crates Rs. '000	Freezers Rs. '000	Coolers Rs. '000	Crates Rs. '000
Cost	903,275	701,689	604,887	743,573	633,691	641,733
Accumulated depreciation	(415,712)	(330,339)	(542,360)	(372,634)	(303,819)	(537,701)
Carrying value	487,563	371,350	62,527	370,939	329,872	104,032

20.8 The Group assessed for impairment indications of assets at the end of reporting period and there were no indications observed. No idle assets were observed that require disclosure in the financial statements.

21. Leases

Accounting Policy

The determination of whether an arrangement contains a lease is based on the substance of the arrangement at the inception date, whether fulfillment 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.

Lease rentals paid in advance

Prepaid lease rentals paid in advance to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term in accordance with the pattern of benefits provided.

Notes to the Financial Statements

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Lease rentals paid in advance				
21.1 Cost/carrying value				
At the beginning of the year	146,263	174,701	-	-
Additions for the year	-	-	-	-
Amortisation for the year	(3,026)	(11,180)	-	-
VAT recoverable transferred to current assets	-	(17,258)		
At the end of the year	143,237	146,263	-	-

Property	Land extent (in acres)	Lease period	2019 Rs. '000	2018 Rs. '000
Details of lease rentals paid in advance				
The Colombo Ice Company (Pvt) Ltd				
Awissawella factory premises	9.3	50 Years from 18.07.2016	143,237	146,263

22. Investment Property

Accounting Policy

Basis of measurement

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at 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. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

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.

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
22.1 Cost/carrying value				
At the beginning of the year	228,601	207,042	228,601	207,042
Change in fair value during the year	25,433	21,559	25,433	21,559
At the end of the year	254,034	228,601	254,034	228,601
Freehold property	254,034	228,601	254,034	228,601
Cost/carrying value	254,034	228,601	254,034	228,601

22.2 Valuation details of investment property

Accounting judgements estimates and assumptions

Fair value of the investment property is ascertained by annual independent valuations carried out by Messrs. P B Kalugalagedara & Associates - Chartered valuation surveyors as at 31st December 2018, that has recent experience in valuing properties of akin location and category. Investment property was appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The Market value has been used as the fair value.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The changes in fair value are recognised in the income statement. The determined fair values of investment properties were based on the open market value method.

Property	Name of Chartered Valuation surveyor	Method of valuation	Sensitivity of unobservable inputs Estimated price				Correction to fair value
			Per perch		Per square foot		
			2019	2018	2019	2018	
Ceylon Cold Stores PLC							
Land	P B Kalugalagedara	Open market value method	Rs.1,250,000	Rs.1,100,000			Positive
Building	P B Kalugalagedara	Open market value method			Rs.1,000 - Rs.2,250	Rs.1,000 - Rs.2,250	Positive

22.3 Income and expenses arising from investment property

Investment property generated rental income during the year ended 31st March 2019. (2017/18 - Nil). Direct operating expenses arising from investment property are as follows;

For the year ended 31st March	Company	
	2019	2018
	Rs. '000	Rs. '000
Rent income	(261)	-
Electricity and water	120	100
Security	992	952

Notes to the Financial Statements

23. Intangible Assets

Accounting Policy

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash- generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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	Remaining useful life	Acquired/ Internally generated	Impairment testing/ amortisation
Purchased Software	3-10	1 - 6	Acquired	Testing for impairment is carried out when indicators of impairment arise. The amortisation method is reviewed at each financial year end
Software Licences	3-6	1- 5	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.

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
23.1 Cost				
At the beginning of the year	273,714	246,115	24,219	23,833
Additions	340,267	27,599	-	386
Transfers*	1,855	-	363	-
At the end of the year	615,836	273,714	24,582	24,219
Accumulated amortisation				
At the beginning of the year	(108,233)	(94,959)	(18,444)	(15,106)
Amortisation	(45,755)	(13,274)	(2,390)	(3,338)
Transfers*	(176)	-	(48)	-
At the end of the year	(154,164)	(108,233)	(20,882)	(18,444)
Carrying value	461,672	165,481	3,700	5,775
Carrying value of Intangible Assets				
Goodwill**	115,006	115,006	-	-
Software	346,666	50,475	3,700	5,775
	461,672	165,481	3,700	5,775

*Transfers include, transfers between classes of assets.

**The recoverable amount of the cash generating unit relevant to the goodwill is more than the carrying amount at the end of the reporting period. Therefore, no impairment loss is recognised in respect of the goodwill as at 31st March 2019.

23.2 Goodwill

Accounting Judgements, estimates and assumptions

Goodwill acquired through business combination is due to the purchase of Jaykay Marketing Services (Pvt) Ltd and goodwill is tested for impairment as explained below;

Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its Value In Use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Cash Generating Unit (CGU)

The recoverable amount of the CGU has been determined based on the value in use (VIU) calculation.

Key assumptions used in the VIU calculations

Gross margins

The basis used to determine the value assigned to the budgeted gross margins of 22% - 23% are the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Notes to the Financial Statements

23.2 Goodwill (Contd.)

Discount rates

The discount rate of 15% 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 of 5%, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 7% growth rate.

23.3 Intangible assets that have been fully amortised and continue to be in use by the Group are as follows;

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost of fully amortised intangible assets	72,990	17,286	13,990	11,933

24. Investments in Subsidiaries

Accounting Policy

Investment in Subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in Subsidiaries are immediately recognised in the income statement. Following initial recognition, investment in Subsidiaries are carried at cost less any accumulated impairment losses.

As at 31st March	Number of shares	Group		Company	
		2019	2018	2019	2018
	No. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
24.1 Carrying value					
Investments in Subsidiaries					
Unquoted ordinary shares					
Jaykay Marketing Services (Pvt) Ltd	202,239	-	-	1,022,892	1,022,892
The Colombo Ice Company (Pvt) Ltd*	170,000			1,719,390	1,256,890
Unquoted preference shares**					
Jaykay Marketing Services (Pvt) Ltd	80,000	-	-	200,000	200,000
		-	-	2,942,282	2,479,782

*The Colombo Ice Company (Pvt) Ltd (CICL) was incorporated in May 2016, as a wholly owned subsidiary of Ceylon Cold Stores PLC (CCS). CICL entered in to an agreement with the Board of Investment of Sri Lanka (BOI) in July 2016, to lease a land extent of 9.3 acres for a period of 50 years for the establishment of an Ice Cream factory. As at the reporting date, a total of Rs. 1.7 Bn was infused by CCS as equity in CICL, out of which Rs. 450 Mn (Rs. 980 Mn - 2017/18) was infused during the year.

**On 17th 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 in Jaykay Marketing Services (Pvt) Ltd. The date of redemption shall be any time after five (05) years from the date of issue to be determined by the Board of Directors of Jaykay Marketing Services (Pvt) Ltd.

25. Investment in Equity Accounted Investees

Accounting Policy

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 over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investment in associates 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.

The income statement reflects the Group's share of the results of operations of the associate. Any change in 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 other comprehensive income statement. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss 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 equity accounted investees' in the income statement.

The accounting policies of associate companies conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed below.

Equity method of accounting has been applied for associate using their corresponding/matching 12 month financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to the reporting date.

As at 31st March	Number of shares ('000)	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
25.1 Carrying value					
Investment in equity accounted investees					
Waterfront Properties (Pvt) Ltd* (WPL)	539,286	-	6,029,201	-	5,392,863
Cumulative loss accruing to the Group net of dividend		-	(9,949)	-	-
Changes of holding in Associate		-	(684,763)	-	-
Realised gain on lease rights forgone		-	13,339	-	-
Exchange equalisation reserve		-	23,309	-	-
Cash flow hedges reserve		-	21,726	-	-
Transferred to Non Current Financial Assets		-	(5,392,863)	-	(5,392,863)
		-	-	-	-

*Waterfront Properties (Pvt) Ltd (WPL) ceased to be an Associate with effect from 01st January 2018 as the Company's share holding in WPL diluted to 19.89% as at 31st December 2017. Accordingly from 01st January 2018 onwards the investment ceased to be an equity accounted investment and was classified as a AFS financial asset under non-current financial assets. The Company's share holding in WPL diluted to 13.8% as at 31st March 2019 (16.69%-2018) and is now classified as a financial assets at FVOCI in accordance with SLFRS 9.

Notes to the Financial Statements

26. Non-Current Financial Assets

Accounting Policy

Non-current financial assets within the scope of SLFRS 9 are classified as financial assets at initial recognition.

As at 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
26.1 Non-current financial assets					
Loans to executives - Receivable between one and five years	26.2	256,538	217,971	136,690	129,013
Unquoted equity investments	26.3	7,016,115	5,392,863	7,016,115	5,392,863
Total non-current financial assets		7,272,653	5,610,834	7,152,805	5,521,876

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
26.2 Loans to executives				
At the beginning of the year	286,254	222,742	178,250	126,358
Loans granted	205,719	179,628	111,638	128,132
Transfers	(2,074)	(12,074)	(2,074)	(11,863)
Recoveries	(152,719)	(104,042)	(96,136)	(64,377)
At the end of the year	337,180	286,254	191,678	178,250
Receivable within one year	80,642	68,283	54,988	49,237
Receivable after one year				
Receivable between one and five years	256,538	217,971	136,690	129,013
	337,180	286,254	191,678	178,250

As at 31st March	Number of shares No. '000	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
26.3 Unquoted equity investments					
Waterfront Properties (Pvt) Ltd (WPL)*	539,286				
At the beginning of the year		5,392,863	5,392,863	5,392,863	5,392,863
Impact of reclassifying financial investments from AFS held at cost to FVOCI		1,617,859	-	1,617,859	-
Remeasurement gain recognised for the year		5,393	-	5,393	-
At the end of the year		7,016,115	5,392,863	7,016,115	5,392,863

*The unquoted equity investment in WPL classified as AFS (Available For Sale) financial asset and measured at cost in accordance with LKAS 39 as at 31st March 2018, with the adoption of SLFRS 9 is classified as investment at FVOCI (Fair Value Through Other Comprehensive Income) and measured at fair value.

The unquoted equity investment has been fair valued using the adjusted net assets per share of the investee (WPL).The adjusted net assets per share value of WPL as at 31st March 2019 was Rs.13.01.

Details of the valuation is given below;

Financial Assets	2019			
	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs (Probability Weighted Average)	Sensitivity of fair value to unobservable Input
Unquoted equity investment				
Waterfront Properties (Pvt) Ltd (Subsidiary of JKH)	Adjusted Net Asset method - estimates the fair market value of the Company by subtracting the total liabilities from the total assets, after adjusting the balance sheet to fair market value	Adjusted net assets per share	Rs. 13.00 - Rs. 13.01	Positively correlated
	Further, value of the instrument has been adjusted to compensate for the liquidity and minority holding of the investment	Estimated discount rate	10%	Negatively correlated

27. Other Non-Current Assets

Accounting Policy
Group classifies all non financial non current assets that are not expected to be realised within twelve months under other non current assets.

As at 31st March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Prepaid staff cost*	69,592	55,009	40,855	35,779
Deposits	594,580	438,404	16,041	14,635
Prepaid rent	568,988	372,942	-	-
	1,233,160	866,355	56,896	50,414

*Prepaid staff cost represents the prepaid portion of the loans granted to the staff.

28. Inventories

Accounting Policy

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

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

Inventory type	Basis of valuation
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

Notes to the Financial Statements

28. Inventories (Contd.)

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Raw materials	612,141	444,130	462,543	444,130
Work-in-progress	142,982	62,084	130,410	62,084
Finished goods and retail goods	4,016,906	3,254,488	281,735	322,415
Machinery spares	243,133	237,202	229,383	237,202
Other inventories	72,667	94,766	15,489	14,134
	5,087,829	4,092,670	1,119,560	1,079,965

29. Trade and Other Receivables

Accounting Policy

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As at 31st March 2019, Rs.47.6Mn and Rs.45.1Mn were recognised as provision for expected credit losses on trade receivables by the Group and the Company respectively.

As at 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Trade Receivables		3,104,171	2,521,578	1,600,173	1,671,427
Impairment - provision for expected credit losses		(47,614)	(20,037)	(45,147)	(17,446)
		3,056,557	2,501,541	1,555,026	1,653,981
Deposits and other receivables		16,663	14,924	6,406	9,135
Loans to executives	26.2	80,642	68,283	54,988	49,237
		3,153,862	2,584,748	1,616,420	1,712,353

30. Other Current Assets

Accounting Policy

Group classifies all non financial current assets under other current assets.

As at 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Pre-payments		380,585	251,707	8,560	16,447
Advances		70,459	575,394	66,503	111,684
Other receivables		436,879	679,272	15,092	18,418
Income tax recoverable	19.7	183,127	-	-	-
		1,071,050	1,506,373	90,155	146,549

31. Short-Term Investments

Accounting Policy

The Group classifies investment in government securities and term deposits with a maturity of 12 months or less,under short term investments.

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Government securities (less than 3 months)	52,010	920,212	52,010	486,001
Call deposits	-	3,064	-	3,064
Reported in statement of cash flow	52,010	923,276	52,010	489,065

32. Stated Capital

As at 31st March	2019 Number of shares No. '000	2019 Value of shares Rs. '000	2018 Number of shares No. '000	2018 Value of shares Rs. '000
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

33. Revenue Reserves

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Retained earnings	11,451,973	11,568,431	10,705,248	10,440,113
	11,451,973	11,568,431	10,705,248	10,440,113

Notes to the Financial Statements

34. Other Components of Equity

As at 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Revaluation reserve on					
Land	34.1	579,849	532,898	579,849	532,898
Building	34.1	368,287	298,153	265,163	247,473
		948,136	831,051	845,012	780,371
Employee share option plan reserve	34.2	444,375	365,091	283,727	228,433
Fair value reserve of financial assets at FVOCI	34.3	1,637,274	-	1,637,274	-
		3,029,785	1,196,142	2,766,013	1,008,804

34.1 Revaluation reserve consists of the surplus on the revaluation of land and buildings, net of deferred tax effect.

34.2 Employee share option plan reserve is detailed in note 35.

34.3 Fair value reserve of financial assets at FVOCI includes changes in fair value of equity instruments, net of deferred tax effect.

35. Share-Based Payment Plans

Employee Share Option Scheme

Accounting Policy

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 1st April 2013 onwards.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Employee Share Option Scheme

Under the John Keells Group's Employee Share Option Scheme (ESOP), share options of the parent are granted to executives of the Group generally with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "met expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Accounting judgements, estimates and assumptions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	365,091	270,721	228,433	160,065
Expense arising from equity-settled share-based payment transactions	79,284	94,370	55,294	68,368
At the end of the year	444,375	365,091	283,727	228,433

Movements in the year

The following table illustrates the number (No.) and Weighted Average Exercise Prices (WAEP) of, and movements in, share options during the year:

As at 31st March	Group		Company	
	2019	2019	2019	2019
	No.	WAEP	No.	WAEP
Outstanding as at 1st April	7,449,815	164.38	5,731,931	164.98
Granted during the year	1,774,273	154.10	1,072,415	154.10
Transfer in/(out)	(1,430,825)	169.68	(1,487,309)	169.50
Exercises	-	-	-	-
Lapses/forfeited	(877,956)	183.66	(698,080)	181.60
Outstanding as at 31st March	6,915,307	158.19	4,618,957	158.49
Vested as at 31st March	3,133,887	158.88	2,297,759	159.13

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.

Notes to the Financial Statements

36. Interest-Bearing Loans and Borrowings

	Group		Company	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
36.1 External				
At the beginning of the year	2,458,333	271,192	-	15,000
Loans obtained	-	2,243,808	-	-
Repayments	(500,000)	(56,667)	-	(15,000)
At the end of the year	1,958,333	2,458,333	-	-
Repayable within one year	500,000	500,000	-	-
Repayable between one and five years	1,458,333	1,958,333	-	-
	1,958,333	2,458,333	-	-
36.2 Total Borrowings				
Borrowings under non-current liabilities	1,458,333	1,958,333	-	-
Borrowings under current liabilities	500,000	500,000	-	-
	1,958,333	2,458,333	-	-

36.3 Details of Group's interest bearing loans and borrowings are as follows;

Company	Nature of facility	Interest rate and security	Repayment terms	2019 Rs. '000	2018 Rs. '000
The Colombo Ice Company (Pvt) Ltd	Project loan	Cost of funds plus margin A corporate guarantee of Rs. 3.8 Bn originally given has been revised to Rs.2.2 Bn by the Parent as at the reporting date	60 monthly instalments with one year grace period commencing March 2017	1,958,333	2,458,333
				1,958,333	2,458,333

37. Employee Benefit Liabilities

Accounting Policy

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.

Employee Defined Benefit Plan - Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in statement of comprehensive income.

Other Long-Term Employee Benefits

A new Long-Term Incentive Plan (LTI) has been launched for senior employees of the Group. The overall incentive will be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five year strategic plan in place.

The liability recognised in respect of other long term employee benefits are measured as the present value of the estimated future cash outflows expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date.

As at 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
37.1 Employee benefit liabilities					
Employee defined benefit plan - gratuity	37.3	517,493	491,866	365,337	374,189
Other long-term employee benefits	37.4	16,720	-	10,656	-
At the end of the year		534,213	491,866	375,993	374,189

For the year ended 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
37.2 Total employee benefit provisions and related costs					
Employee defined benefit plan - gratuity	37.3	101,153	93,951	60,173	62,032
Other long-term employee benefits	37.4	16,720	-	10,656	-
		117,873	93,951	70,829	62,032

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
37.3 Employee defined benefit plan - gratuity				
At the beginning of the year	491,866	471,353	374,189	363,698
Current service cost	51,676	43,718	22,036	22,026
Interest cost on benefit obligation	49,477	50,233	38,137	40,006
	101,153	93,951	60,173	62,032
Transfers	(29,867)	(5,659)	(27,624)	20
Payments	(46,288)	(49,217)	(35,575)	(35,678)
	(76,155)	(54,876)	(63,199)	(35,658)
(Gain)/loss arising from changes in assumptions	629	(18,562)	(5,826)	(15,883)
At the end of the year	517,493	491,866	365,337	374,189
The expenses are recognised in the income statement in the following line items;				
Cost of sales	64,361	66,916	31,846	33,088
Selling and distribution expenses	16,493	11,372	16,396	11,372
Administrative expenses	20,299	15,663	11,931	17,572
	101,153	93,951	60,173	62,032

The employee defined benefit plan-gratuity of the Group and the Company are based on the actuarial valuations carried out by Messrs. Smiles Global (Pvt) Ltd.

Notes to the Financial Statements

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
37.4 Other long term employee benefits				
At the beginning of the year	-	-	-	-
Current service cost	16,720	-	10,656	-
At the end of the year	16,720	-	10,656	-

37.5 Accounting Judgments, Estimates and Assumptions

Employee defined benefit liability - gratuity

The employee defined 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. Due to the complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were;

As at 31st March	Group 2019	Group 2018	Company 2019	Company 2018
Discount rate	9.5%-11%	9%-10.5%	10.5%	10%-10.5%
Future salary increases				
Executives	10%	10%	10%	10%
Non-Executives	6%-10%	5%	6%-10%	5%
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

37.6 Sensitivity of assumptions used

A percentage point change in the discount rate and salary increment rate would have the following effects on employee benefit liabilities;

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Discount rate				
Increase in one percentage point	(19,852)	(20,802)	(15,391)	(16,727)
Decrease in one percentage point	18,890	22,847	16,774	18,370
Salary increment rate				
Increase in one percentage point	23,250	24,220	18,241	19,664
Decrease in one percentage point	(21,764)	(22,416)	(17,005)	(18,193)
37.7 Maturity analysis of the payments				
The following payments are expected on employee benefit liabilities in future years				
Within the next 12 months	22,219	23,489	20,397	22,624
Between 1 and 5 years	279,109	188,126	129,151	132,849
Between 5 and 10 years	215,480	257,308	215,480	195,840
Beyond 10 years	685	22,943	309	22,876
Total expected payments	517,493	491,866	365,337	374,189

The average duration of defined benefit obligation is 1 - 12 years

38. Other Non-Current Liabilities

Accounting Policy

The Group classifies all non-financial non-current liabilities which comprises distributor deposits,deferred revenue and deferred rent under other non-current liabilities.

Deposit on returnable containers and crates represents the cash deposits collected from distributors when issuing returnable containers and crates by the Company. At the time of termination of a distributor the deposit is refunded in case the returnable containers and crates were returned to the Company or the deposit was forfeited to the extent the returnable containers and crates were not returned to the Company. At each reporting date, the Company evaluates the liability based on a mathematical formula that considers the tenure of the distributorship and number of return crates and containers. Any difference between the calculated liability and the book balance is transferred to the income statement.

As at 31st March	Notes	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Deposits with the Company	38.1	137,590	172,921	137,590	172,921
Other deferred liabilities	38.2	21,022	36,925	-	-
		158,612	209,846	137,590	172,921

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
38.1 Deposits With the Company				
At the beginning of the year	172,921	193,465	172,921	193,465
Deposits received during the year	15,379	19,402	15,379	19,402
Deposits settled during the year	(41,432)	(30,730)	(41,432)	(30,730)
Reversal during the year*	(9,278)	(9,216)	(9,278)	(9,216)
	137,590	172,921	137,590	172,921

*During the year 2018/19, a detailed analysis was undertaken by the management to establish the liability considering the past data relating to distributor termination, refund and forfeiture of deposits. A mathematical formula was derived from this analysis taking into consideration the tenure of distributorship and the number of returnable containers and crates returned at the point of distributor termination. The liability calculated based on this model was compared against the balance as per the books of accounts. The difference arising out of this was transferred to the income statement.

38.2 Other Deferred Liabilities

Deferred rent

Some of the lease agreements of the Subsidiary, Jaykay Marketing Services (Pvt) Ltd, have been negotiated at reduced rates during initial lease period. Such reduced rates have been spread on a 'straight line basis' over the tenure of the lease resulting in a charge during the initial periods of the lease and a reversal taking place at the latter part of the lease period. Accordingly for the year ended 31st March 2019 Rs. 4.1 Mn has been charged against cost of sales.

Deferred revenue

Deferred revenue represents amount received by the Subsidiary, Jaykay Marketing Services (Pvt) Ltd, as fees for the benefit of managing liquor stores in certain outlets for a period of 36 months. According to the revenue recognition principle, it is recorded as a liability until service delivery is made, at which time it is converted to revenue. Accordingly for the year ended 31st March 2019 Rs. 11.8 Mn has been recognised in other operating income.

Notes to the Financial Statements

38.2 Other Deferred Liabilities (Contd.)

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Deferred rent	21,022	25,170	-	-
Deferred revenue	-	11,755	-	-
At the end of the year	21,022	36,925	-	-
Other Deferred liabilities movement				
At the beginning of the year	36,925	55,489	-	-
Cash changes				
Additions	-	-	-	-
Non-cash changes				
Amortisations	(15,903)	(18,564)	-	-
At the end of the year	21,022	36,925	-	-

39. Trade and Other Payables

Accounting Policy

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business.

Trade payable are classified as current liabilities if payment is due within one year.

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Trade payables	5,568,541	4,841,459	336,256	372,821
Accrued expenses	851,830	759,403	443,763	434,105
Sundry creditors	947,075	812,381	371,553	351,957
	7,367,446	6,413,243	1,151,572	1,158,883

40. Other Current Liabilities

Accounting Policy

Group classifies all non financial current liabilities under other current liabilities.

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Other taxes payable	665,759	1,009,187	413,509	879,802
Other payables*	144,240	254,456	-	-
Contract liabilities**	196,297	144,518	-	-
	1,006,296	1,408,161	413,509	879,802

*Other payables consists of loyalty awards points payable to customers, by the retail segment of the Group.

**Contract liabilities includes, gift vouchers sold to customers by the retail segment of the Group.

The Group operates the Nexus loyalty programme where customers accumulate points for purchases made which entitle them to redeem such points on future purchases. The cost of Nexus loyalty points is 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/her entitlement to reward points would be null and void.

41. Short-Term Borrowings

As at 31st March	Group	
	2019	2018
	Rs. '000	Rs. '000
Bank borrowings	1,646,315	-
	1,646,315	-

42. Related Party Transactions

Accounting Policy

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business at arm's length basis with the related entities.

Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non-recurrent related party transactions

The Ceylon Cold Stores PLC entered into a Non-recurrent related party transaction of which the aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Group's consolidated audited financial statements as at 31st March 2018, which requires additional disclosures in this Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

The table below shows the details of the transaction;

Name of the related party	Relationship	Value of the related party transaction entered in to (Rs.000)	Value of related party transaction as a % of equity	Value of related party transaction as a % of total assets	Terms and conditions of the related party transaction	The rational for entering into the transaction
The Colombo Ice Company (Pvt) Ltd	Fully owned Subsidiary	2,200,000*	16%	7%	To be revised annually based on the loan repayment	A corporate guarantee was given by the Parent Company to the Subsidiary to secure a term loan obtained from a Commercial Bank

*A Rs.3.8 Bn Corporate guarantee was given by the Company to a Commercial Bank on behalf of a term loan facility obtained by The Colombo Ice Company (Pvt) Ltd (CICL), a fully owned subsidiary of the Company. This corporate guarantee was reduced to Rs. 2.2 Bn as at the reporting date. The loan facility has been obtained by CICL to finance the construction of a new manufacturing facility located in the Seethawaka BOI zone. Commercial operations of CICL commenced in June 2018.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate, the value exceeds 10% of the consolidated revenue of the Group as per the audited financial statements as at 31st March 2018, which requires additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Notes to the Financial Statements

As at 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
42.1 Amounts due from related parties				
Ultimate Parent	-	-	2,361	-
Subsidiaries	-	-	53,682	38,005
Companies under common control	2,723	2,022	2,526	4,319
Equity accounted investees of Ultimate Parent	1,030	781	-	41
	3,753	2,803	58,569	42,365
42.2 Amounts due to related parties				
Ultimate Parent	31,655	26,889	-	35
Companies under common control	270,120	186,299	5,399	987
Equity accounted investees of Ultimate Parent	196	177	15	65
	301,971	213,365	5,414	1,087
42.3 Amounts Due from Related Parties				
Ultimate Parent				
John Keells Holdings PLC	-	-	2,361	-
Subsidiaries				
Jaykay Marketing Services (Pvt) Ltd	-	-	48,517	37,329
The Colombo Ice Company (Pvt) Ltd	-	-	5,165	676
Companies Under Common Control				
Beruwala Holiday Resorts (Pvt) Ltd	9	19	-	-
Habarana Lodge Ltd	110	9	108	-
Habarana Walk Inn Ltd	91	8	91	-
Hikkaduwa Holiday Resorts (Pvt) Ltd	13	1	-	-
John Keells PLC	8	4	8	4
Kandy Walk Inn Ltd	1	8	-	-
Cinnamon Hotel Management Ltd	32	257	-	-
Keells Food Products PLC	-	-	2,319	4,217
Trinco Holiday Resorts (Pvt) Ltd	19	13	-	-
Union Assurance PLC	2,437	1,605		
Yala Village (Pvt) Ltd	3	98	-	98
Equity accounted investees of Ultimate Parent				
Fairfirst Insurance Ltd	284	-	-	41
DHL Keells (Pvt) Ltd	-	168	-	-
Nations Trust Bank PLC	730	528	-	-
Maersk Lanka (Pvt) Ltd	16	85	-	-
	3,753	2,803	58,569	42,365

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
42.4 Amounts Due to Related Parties				
Ultimate Parent				
John Keells Holdings PLC	31,655	26,889	-	35
Companies Under Common Control				
Asian Hotels and Properties PLC	7,931	7,374	-	-
Infomate (Pvt) Ltd	3,437	3,168	314	221
John Keells Information Technology (Pvt) Ltd	205	-	-	-
John Keells Logistics (Pvt) Ltd	113,825	58,309	-	-
John Keells Office Automation (Pvt) Ltd	2,308	1,998	110	303
John Keells Properties (Pvt) Ltd	753	15	-	-
Keells Consultants (Pvt) Ltd	24	80	-	28
Keells Food Products PLC	133,277	109,108	-	-
Mack International Freight (Pvt) Ltd	6,070	3,972	4,340	-
Mackinnons Travels (Pvt) Ltd	282	197	245	41
Trans Asia Hotels PLC	257	24		
Whittall Boustead (Pvt) Ltd	1,751	2,054	390	394
Equity accounted investees of Ultimate Parent				
DHL Keells (Pvt) Ltd	196	-	15	65
Fairfirst Insurance Ltd	-	177	-	-
	301,971	213,365	5,414	1,087

The Group and Company held interest bearing deposits of Rs. 218 Mn (2018 - Rs. 176.3 Mn) and Rs.19.1 Mn (2018 - 9.4 Mn) respectively, at Nations Trust Bank PLC as at 31st March 2019.

Notes to the Financial Statements

The Group carried out transactions in the ordinary course of business at arm's length basis with the following related entities.

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
42.5 Transactions with related parties				
Ultimate Parent				
Sale of goods	986	812	-	-
Receiving of services	(252,672)	(225,211)	(87,880)	(69,791)
Purchase of intangible assets	(202,335)	-	-	-
Subsidiaries				
Sales of goods	-	-	429,276	296,989
Purchase of goods	-	-	(79,206)	(101)
Receiving of services	-	-	(30,656)	(22,495)
Rendering of services	-	-	85,028	-
Investment in equity	-	-	(450,000)	(980,000)
Guarantee income	-	-	12,500	6,890
Royalty income	-	-	84,202	-
Companies under common control				
Sales of goods	6,298	9,100	1,365	3,806
Purchase of goods	(893,119)	(803,906)	(1,123)	(4,558)
Rendering of services	10,120	-	10,120	-
Receiving of services	(1,169,129)	(702,176)	(67,321)	(64,916)
Franchise income received	13,452	12,388	13,452	12,388
Key Management Personnel (KMP)				
Sale of goods	-		-	-
Close family members of KMP				
Sale of goods	-		-	-
Post employment benefit plan				
Contributions to the provident fund	(101,304)	(103,584)	(99,010)	(96,144)
42.6 Transactions with related parties - Equity accounted investees of ultimate parent				
Sales of goods	606	4,726	-	30
Rendering of services	-	2,660	-	-
Receiving of services	(43,194)	(47,790)	(14,702)	(13,431)
Interest received	1,595	26,010	7	23,674
Rent received	2,417	-	-	-

42.7 Compensation of key management personnel

Key management personnel include members of the Board of Directors of the Group.

For the year ended 31st March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Short-term employee benefits	53,924	53,650	30,310	36,009
Share based payment	8,559	22,862	2,067	15,718
	62,483	76,512	32,377	51,727

43. Contingent Liabilities

Accounting Policy

Provisions are recognised when the Group and the Company 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 and the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of SLFRS 15 - Revenue from contracts with customers. Contingent assets are disclosed, where inflow of economic benefit is probable.

The contingent liability of the Company as at 31st March 2019, relates to the following;

Income tax assessments relating to years of assessments 2011/12, 2012/13 and 2013/14

Assessments were raised by the IRD in November 2014, November 2015 and May 2016 assessing the income from write back of deposits on returnable containers and crates amounting to Rs. 202 Mn, Rs. 43 Mn and Rs. 41 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 31st March 2019 is estimated at Rs.36.5 Mn (2018 - Rs.35Mn).

Other than the above there were no other contingent liabilities for the Group at the end of the reporting period.

Notes to the Financial Statements

44. Capital and Other Commitments

Capital Commitments approved but not provided for as at the reporting date is as follows;

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Approved and contracted but not provided	2,582,172	4,788,841	10,930	5,048
Approved, not contracted and not provided	-	-	-	-
Guarantee*	-	-	2,200,000	3,800,000
Total	2,582,172	4,788,841	2,210,930	3,805,048

*A Rs.3.8 Bn Corporate guarantee was given by the Company to a Commercial Bank on behalf of a term loan facility obtained by The Colombo Ice Company (Pvt) Ltd (CICL), a fully owned subsidiary of the Company. This corporate guarantee was reduced to Rs. 2.2 Bn as at the reporting date. The loan facility has been obtained by CICL to finance the construction of a new manufacturing facility located in the Seethawaka BOI zone. Commercial operations of CICL commenced in June 2018.

45. Lease Commitments

Operating leases

Accounting Policy

Leases, where the lessor effectively retains substantially the risks and benefits of the ownership over the terms of the lease, those 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.

The Company has entered into a long-term PET bottle supply arrangement with a third party entity for a period of 12 years from 8th January 2009 to 7th January 2021, 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.

Leasehold property

Jaykay Marketing Services (Pvt) Ltd has entered into lease arrangements on premises in which retail outlets are operated by the Subsidiary.

The Colombo Ice Company (Pvt) Ltd (CICL) entered in to an agreement with the Board of Investment of Sri Lanka (BOI) in July 2016, to lease a land extent of 9.3 acres for a period of 50 years for the establishment of an ice cream factory. CICL commenced its commercial operations in June 2018.

As at 31st March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease rentals due on non-cancellable operating leases;				
Within one year	517,264	415,977	42,140	40,134
Between one and five years	94,037	130,758	59,234	101,374
After five years	365,431	315,878	-	-
	976,732	862,613	101,374	141,508

45.1

Company	Lessor	Leased properties
Ceylon Cold Stores PLC	CISCO Speciality Packaging (Pvt) Ltd	PET Bottle Plant
Jaykay Marketing Services (Pvt) Ltd	Land owners	Land occupied
The Colombo Ice Company (Pvt) Ltd	Board of Investment of Sri Lanka	Land occupied

46. Events after the Reporting Period

There were no material events occurring after reporting period that required adjustment to or disclosure to the financial statements other than the following.

Final Dividends

The Board of Directors has approved the payment of a final dividend of Rs. 8.00 per share to be paid on 6th June 2019.

As required by section 56 (2) of the Companies Act, No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act, No. 07 of 2007, and has obtained a certificate from the auditors, prior to approving the final dividend.

The proposed dividend payment includes a redistribution of dividends received by the Company from its Subsidiary Jaykay Marketing Services (Pvt) Ltd amounting to Rs. 1.50 per share which is not subject to withholding taxes. The balance dividend is paid out of the taxable profits of the Company and will be subjected to withholding tax at the rate of 14%.

Your Share in Detail

Ordinary Shareholding

Number of Ordinary Shares	95,040,000

Distribution of Shareholders

Shareholding Range	31st March 2019			31st March 2018		
	No. of Shareholders	No. of Shares Held	%	No. of Shareholders	No. of Shares Held	%
Less than or equal to 1,000	1,200	273,105	0.29	1,165	280,977	0.30
1,001 to 10,000	397	1,566,627	1.65	406	1,608,703	1.69
10,001 to 100,000	193	5,730,245	6.03	205	6,004,357	6.32
100,001 to 1,000,000	18	4,929,014	5.19	20	5,026,274	5.29
Over 1,000,001	5	82,541,009	86.84	5	82,119,689	86.40
	1,813	95,040,000	100.00	1,801	95,040,000	100.00

Categories of Shareholders	31st March 2019			31st March 2018		
	No. of Shareholders	No. of Shares Held	%	No. of Shareholders	No. of Shares Held	%
John Keells Holdings & Subsidiaries	2	77,321,204	81.36	2	77,321,204	81.36
Others	1,811	17,718,796	18.64	1,799	17,718,796	18.64
Total	1,813	95,040,000	100.00	1,801	95,040,000	100.00
Sri-Lankan Residents *	1,679	84,678,595	89.10	1,665	84,913,641	89.35
Non-Residents	134	10,361,405	10.90	136	10,126,359	10.65
	1,813	95,040,000	100.00	1,801	95,040,000	100.00
John Keells Holdings & Subsidiaries	2	77,321,204	81.36	2	77,321,204	81.36
Directors and Spouses	3	82,904	0.08	5	91,328	0.10
Shareholders holding more than 10%	-	-	-	-	-	-
Public **	1,808	17,635,892	18.56	1,794	17,627,468	18.54
	1,813	95,040,000	100.00	1,801	95,040,000	100.00

* Includes Directors and Spouses

** Percentage of the shares held by the public as at 31st March 2019 is 18.56%. Company had a float adjusted market capitalisation of Rs. 10.14 billion and 1,808 public shareholders as at 31st March 2019. Thus the Company is compliant under option 1 of the minimum threshold requirements for the Main Board of the Colombo Stock Exchange, as per section 7.6 of the Listing Rules of the Colombo Stock Exchange.

Top 20 Shareholders

As at 31st March		2019 No. of Shares Held	2019 % of Issued Capital	2018 No. of Shares Held	2018 % of Issued Capital
1	John Keells Holdings PLC	67,155,812	70.66	67,155,812	70.66
2	Whittal Boustead (Pvt) Ltd	10,165,392	10.70	10,165,392	10.70
3	GF Capital Global Ltd	2,074,241	2.18	2,074,241	2.18
4	BBH Luxfidelity Funds-Pacific Fund	1,768,673	1.86	1,337,125	1.41
5	BBH-Matthews Emerging Asia Fund	1,376,891	1.45	1,387,119	1.46
6	JPMLU-T Rowe Price Funds SICAV	883,966	0.93	881,996	0.93
7	BBH-Fidelity Funds	720,196	0.76	398,433	0.42
8	Standard Chartered Bank Mauritius S/A Chambers Street Global Fund	455,819	0.48	464,676	0.49
9	Global Sea Foods (Pvt) Ltd	373,000	0.39	234,956	0.25
10	JPMCB NA-Fidelity Asian Values PLC	285,174	0.30	285,174	0.30
11	Life Insurance Corporation of India	272,912	0.29	272,912	0.29
12	Sisira Investors Ltd	259,132	0.27	259,132	0.27
13	SSBT - Deustche Bank AG Singapore A/C 01	242,153	0.25	262,153	0.28
14	Ayenka Holdings (Pvt) Ltd	202,034	0.21	33,000	0.03
15	Est of Late M. Radhakrishnan (Deceased)	169,256	0.18	169,256	0.18
16	Mrs. J.R. Printer (Deceased)	167,936	0.18	167,936	0.18
17	Merrill J. Fernando & Sons (Pvt) Ltd	150,848	0.16	150,848	0.16
18	JPMCB-T.Rowe Price Institutional Frontier Markets Equity Fund	143,440	0.15	139,577	0.15
19	Mr. M.V. Theagarajah	133,548	0.14	133,548	0.14
20	Mrs. H.M. Mount (Deceased)	125,360	0.13	125,360	0.13

As at 31st March	2019		2018	
SHARE PRICES (Rs.)				
Beginning of the year	950		811	
Highest for the year	1,000	(29.06.2018)	1,029	(25.10.2017)
Lowest for the year	515	(25.03.2019)	740	(21.07.2017)
As at 31st March	575		950	

Decade at a Glance

Group

Year ended 31st March	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000
Trading results										
Gross revenue*	66,335,978	56,744,775	48,043,180	37,632,551	30,968,590	26,330,083	23,788,855	21,165,811	17,658,598	15,322,957
Profit from operating activities	2,605,644	3,640,211	4,788,129	3,928,389	2,160,444	1,541,245	1,003,999	1,511,692	572,776	541,864
Profit before taxation	2,042,648	3,750,358	5,089,748	4,052,469	2,146,665	1,545,188	2,200,654	2,541,860	482,982	420,151
Taxation	(732,483)	(1,182,903)	(1,536,845)	(1,177,596)	(621,170)	(327,471)	(345,051)	(306,407)	(283,446)	(191,277)
Profit after taxation	1,310,165	2,567,455	3,552,903	2,874,873	1,525,495	1,217,717	1,855,603	2,235,453	199,536	228,874
As at 31st March										
Assets, equity and liabilities										
Property, plant and equipment	18,121,188	12,868,657	8,107,133	6,122,560	5,365,259	5,446,846	5,180,158	4,071,521	3,689,511	3,848,218
Investment property	254,034	228,601	207,042	111,404	94,457	85,482	5,040,924	3,765,855	2,582,195	-
Investment in associate	-	-	6,029,201	5,886,679	5,362,161	5,262,414				
Other non-current assets	9,110,722	6,788,933	1,063,349	657,420	532,745	560,011	555,780	286,709	287,134	115,006
Total non-current assets	27,485,944	19,886,191	15,406,725	12,778,063	11,354,622	11,354,753	10,776,862	8,124,085	6,558,840	3,963,224
Net current assets	(8,314,480)	(2,154,067)	(375,187)	906,782	471,249	(201,234)	(419,723)	98,983	(1,240,142)	(653,948)
	19,171,464	17,732,124	15,031,538	13,684,845	11,825,871	11,153,519	10,357,139	8,223,068	5,318,698	3,309,276
Long-term interest-bearing loans and borrowings	1,458,333	1,958,333	129,525	15,000	84,073	185,337	324,935	283,443	316,769	200,817
Other non-current liabilities	2,313,173	2,091,018	1,712,615	1,324,114	1,085,462	967,966	856,717	655,703	553,288	471,118
Net assets	15,399,958	13,682,773	13,189,398	12,345,731	10,656,336	10,000,216	9,175,487	7,283,922	4,448,641	2,637,341
Represented by										
Stated capital	918,200	918,200	918,200	918,200	918,200	918,200	918,200	918,200	270,200	270,200
Capital reserves	3,029,785	1,196,142	2,168,837	1,682,641	974,395	795,699	3,252,326	2,900,278	2,853,957	1,155,779
General reserve	-	-	-	-	646,000	646,000	646,000	646,000	646,000	646,000
Retained profits	11,451,973	11,568,431	10,102,361	9,744,890	8,117,741	7,640,317	4,358,961	2,819,444	678,484	565,362
Shareholder's funds	15,399,958	13,682,773	13,189,398	12,345,731	10,656,336	10,000,216	9,175,487	7,283,922	4,448,641	2,637,341

*Gross revenue includes output VAT

Key Figures & Ratios

Ratios & Other Information - Group

Year ended 31st March	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Dividend per Share (Rs.) - Paid	15.00	15.00	32.00	18.00	11.00	4.00	4.00	4.00	4.00	4.00
Dividend Payout (%)	108.77	55.53	85.61	59.51	68.53	31.22	20.49	16.91	43.31	37.76
Net Assets per Share (Rs.)	162.04	143.97	138.78	129.90	112.12	105.22	96.54	76.64	46.81	27.75
Market Value per Share (Rs.)	575.00	950.00	811.00	430.00	298.20	140.70	135.90	90.00	750.60	172.00
Debt / Equity Ratio (%)	71.61	40.50	7.57	5.41	6.65	14.50	16.68	18.11	46.37	36.98
Interest Cover (No. of Times)	4.03	113.50	701.08	336.57	35.59	11.06	9.93	16.53	6.38	4.45
Earnings per Share (Rs.)	13.79	27.01	37.38	30.25	16.05	12.81	19.52	23.66	2.11	2.42
Price Earnings Ratio (No. of Times)	41.70	35.17	21.70	14.22	18.58	10.98	6.96	3.80	81.25	16.23
Current Ratio (No. of Times)	0.55	0.82	0.95	1.15	1.10	0.95	0.91	1.03	0.71	0.79
Return on Total Assets (%)	3.90	9.87	16.80	15.83	9.51	8.00	13.86	20.70	2.47	3.56
Return on Equity (%)	8.84	18.85	26.95	24.53	14.62	9.69	7.80	19.24	4.49	8.68
Dividend Yield (%)	2.61	1.58	3.95	4.19	3.69	2.84	2.94	4.44	2.33	10.17
Earnings Yield (%)	2.40	2.84	4.61	7.03	5.38	9.11	14.37	26.29	1.23	6.16

Group Real Estate Portfolio

Owning Company & Location	No. of Buildings	Buildings in (Sq. ft)	Freehold Land in Acres	Leasehold Land in Acres	2019 NBV Rs. '000	2018 NBV Rs. '000
Ceylon Cold Stores PLC						
Kaduwela	21	313,024	27.35	-	1,438,357	1,348,993
Trincomalee	3	19,071	1.06	-	254,034	228,601
Jaykay Marketing Services (Pvt) Ltd						
Improvements to buildings on leasehold properties	97	1,059,038	-	71.73	4,656,689	3,119,855
The Colombo Ice Company (Pvt) Ltd						
Avissawella	4	151,954	-	9.3	1,588,136	146,263
					7,937,216	4,843,712

Glossary of Financial Terminology

Accrual Basis
Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period

Asset Turnover
Revenue divided by average total assets

AFS
Available for sale

Capital Employed
Average of shareholders' funds + total debt

Contingent Liabilities
A condition or situation existing at the end of the reporting period due to past events, where the financial effect is not recognized because:

1. The obligation is crystallized by the occurrence or non occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected to settle the obligation or,
3. It is unable to be measured with sufficient reliability.

Current Ratio
Current Assets divided by Current Liabilities

Debt / Equity Ratio
Total Debt as a percentage of Shareholders' Funds

Dividend Payable
Final dividend per share multiplied by the latest available total number of shares as at the reporting date

Dividends per Share - Paid
Gross Dividends paid to ordinary shareholders divided by Number of Ordinary Shares issued

Dividend Cover
Earnings per share divided by dividend per share

Dividend Payout Ratio
Total Dividend paid as a percentage of Consolidated profits

Dividend Yield
Dividend per Share as a percentage of market price per share at the end of the period

Earnings Per Share (EPS)
Profit attributable to equity holders of the Parent divided by the weighted average number of ordinary shares in issue during the period

Earnings Yield
Earnings per Share as a percentage of Market Price per Share at the end of the period

EBIT
Earnings before interest and tax (includes other operating income)

EBIT Margin
EBIT divided by turnover inclusive of share of associate Company turnover

EBITDA
Earnings before interest, tax, depreciation and amortisation

Effective Rate of Taxation
Income Tax including Deferred Tax over Profit Before Tax

Enterprise Value
Market Capitalisation + Debt - Cash

FVOCI
Fair value through other comprehensive income

Interest Cover
Profit on Operating Activities over Finance Expenses. Gains from lease rights forgone is excluded from profit on operating activities

Long Term Debt To Total Debt
Long term loans as a percentage of total debt

Market Capitalisation
Number of Shares in issue at end of the period multiplied by the market price per share at the end of the period

Market Value Added
Market Capitalisation - Shareholders' funds

Net Assets
Total Assets - Current Liabilities - Long Term Liabilities - Minority interest

Net Asset per Share
Net Assets divided by number of ordinary shares in issue at the end of the period

Net Debt
Total Debt - (Cash in hand and at Bank + Short-Term Investments)

Net Profit Margin
Profit after tax attributable to equity holders of the Parent divided by total revenue including share of associates

Net Working Capital
Current Assets - Current Liabilities

Price Earnings Ratio
Market Price of the share at the end of the period divided by Earnings per Share

Price To Book Ratio
Market price per share over net asset value per share

Public Holding
Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report

Quick Ratio
Cash + Short Term Investments + Trade and Other Receivables divided by Current Liabilities

Return on Assets (ROA)
Profit After Tax divided by Average Total Assets

Return on Equity (ROE)
Consolidated Profit after Tax and Minority interest (gain from lease rights forgone and change in fair value of Investment Property are excluded) as a Percentage of Average Shareholders' Funds

Return on Capital Employed (ROCE)
Earnings before interest and tax (gains from lease rights forgone is excluded) as a % of Capital Employed

Shareholders' Funds
Total of issued and fully paid share Capital, Capital Reserves and Revenue Reserves

Total Assets
Fixed Assets + Investments + Non Current Assets + Current Assets

Total Debt
Long Term Loans + Short Term Loans and Overdraft

Total Debt / Total Assets
Total Debt divided by Total Assets

Notice of the Meeting

Notice is hereby given that the 122nd Annual General Meeting of Ceylon Cold Stores PLC will be held at the John Keells Holdings PLC Auditorium at No. 186, Vauxhall Street, Colombo 02, on Friday, 14th June 2019 at 10.00 a.m.

The business to be brought before the meeting will be:

1. To read the notice convening the meeting.
2. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the Financial year ended 31st March 2019 with the Report of the Auditors thereon.
3. To re-elect as Director, Ms. S T Ratwatte who retires by rotation in terms of Article 84 of the Articles of Association of the Company. A brief profile of Ms. S T Rattwatte is contained in the Board of Directors section of the Annual Report.
4. To re-elect as Director, Dr. R S W Wijeratnam who retires by rotation in terms of Article 84 of the Articles of Association of the Company. A brief profile of Dr. R S W Wijeratnam is contained in the Board of Directors section of the Annual Report.
5. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2019/20 and to authorize the Directors to determine their remuneration.
6. 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

22nd May 2019

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 member and his/her proxy holder are both present at the meeting, only the member's vote is counted. If proxy holder's appointer has indicated the manner of voting, only the appointer's indication of the manner of vote will be used.

Notes

Notes

Form of Proxy

I/We .... of

....being a shareholder/s of

Ceylon Cold Stores PLC hereby appoint ....

....of

.... or failing him/her

Mr. Krishan Niraj Jayasekara Balendra	or failing him
Mr. Joseph Gihan Adisha Cooray	or failing him
Mr. Daminda Prabath Gamlath	or failing him
Mr. Muhammed Hamza	or failing him
Ms. Sharmini Thamara Ratwatte	or failing her
Dr. Romola Shanthi Wilson Wijeratnam	

as my/our proxy to vote for me/us on my/our behalf at the 122nd Annual General Meeting of the Company to be held at 10.00 a.m on 14th June 2019 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
1. To re-elect as a Director Ms. S T Rattwatte who retires in terms of Article 84 of the Articles of Association of the Company		
2. To re-elect as a Director Dr. R S W Wijeratnam who retires in terms of Article 84 of the Articles of Association of the Company		
3. To re-appoint Auditors and to authorize the Directors to determine their remuneration		

Signed this .... day of .... Two Thousand and Nineteen (2019)

....

Signature/s of Shareholder/s

Note :

Instructions as to completion of Proxy form are noted on the reverse.

Form of Proxy

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 2, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details.

Name : ....

Address : ....

....

Jointly with : ....

Share Folio no : ....

Corporate Information

Name of 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. 07 of 2007

Company Registration No.
PQ4

Registered Office of the Company
No. 117, Sir Chittampalam A Gardiner Mawatha,

Colombo 02, Sri Lanka.

Tel : +94 11 2318798

Fax : +94 11 2447422

E-mail : info.ccs@keells.com

Web : www.elephanthouse.lk

Kaduwela Factory
Samadaragahawatte, Ranala.

Tel: +94 11 4414500

Fax : +94 11 2415435

Head Office of the Company
148, Vauxhall Street

Colombo 02, Sri Lanka.

Tel: +94 112 318798

Fax : +94 11 2447422

E-mail : info.ccs@keells.com

Web : www.elephanthouse.lk

Customer Call Centre
Tel: +94 11 2303800

Board of Directors
Mr. K N J Balendra (Chairman)

Mr. J G A Cooray

Mr. D P Gamlath

Mr. M Hamza

Dr. R S W Wijeratnam

Mrs. S T Ratwatte

Mr. S C Ratnayake
(Resigned w.e.f 31.12.2018)

Mr. J R Gunaratne
(Resigned w.e.f 30.06.2018)

Audit Committee
Mrs. S T Ratwatte (Chairperson)

Dr. R S W Wijeratnam

Mr. M Hamza

Secretaries and Registrars
Keells Consultants (Pvt) Ltd

No. 117, Sir Chittampalam A Gardiner Mawatha,

Colombo 02,

Sri Lanka.

Tel : +94 11 230 6245

Fax : +94 11 243 9037

External Auditors
Ernst & Young

Chartered Accountants,

201, De Saram Place,

P.O.Box 101,

Colombo 10,

Sri Lanka.

Internal Auditors
PricewaterhouseCoopers

Chartered Accountants,

100, Braybrooke Place,

Colombo 02, Sri Lanka.

BDO Partners

Chartered Accountants,

Charter House,

65/2, Sir Chittampalam A Gardiner Mawatha,

Colombo 02, Sri Lanka.

Bankers
Commercial Bank of Ceylon PLC

Deutsche Bank AG

Citibank N.A

Hongkong & Shanghai Banking Corporation Ltd

Nations Trust Bank PLC

Standard Chartered Bank

DFCC Bank

Hattion National Bank PLC

Subsidiaries
Jaykay Marketing Services (Pvt) Ltd

The Colombo Ice Company (Pvt) Ltd

Designed & produced by

emagewise

Digital plates and printing by Gunaratne Offset (Pvt) Ltd