REVAMP

Keells Krest

Keells Food Products PLC

Annual Report 2022/23

Read the Keells Food Products PLC
Annual Report 2022/23
https://www.keellsfoods.com/investor-relations/#financial-reports

REVAMP

At Keells Food Products, we are renowned for our unwavering commitment to quality and taste; through good times and bad, we have consistently delivered our superior offerings, in our classic, memorable flavours. By revamping our strategies and amplifying our innovation, we successfully overcame the unprecedented economic challenges and maintained our position as the market leader. The visionary philosophy that ensured the performances of the past will fuel the ambitions of our future; with a revamped mindset, we are well-equipped to pursue stability and growth.

KEELLS KREST

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ABOUT US

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.

Values

Innovation : Changing constantly, re-inventing and evolving
In trying new ideas we win or learn, there is no failure.

Integrity : Doing the right thing always
Transparency is everything, so we just do it right!

Excellence : Constantly raising the bar
We get better every day.

Caring : Fostering a great place to work
We listen, we are thoughtful and we care to make a difference.

Trust : Building strong relationships based on openness and trust
The foundation we work from.

KEELLS KREST

KEELLS FOOD PRODUCTS PLC

Established in 1982, Keells Food Products PLC (KFP) is the pioneer in processed meat manufacturing in Sri Lanka with 41 years of experience. As the market leader in the processed meat industry, KFP is renowned for its quality, backed by stringent quality controls and its range of nutritious, tasty and convenient products developed in house and manufactured using state of the art food processing facilities.

Our product portfolio of 200+ products reach customers through 32,000+ retail outlets and we take extensive measures to ensure the right product is available at the right time at the right price to satisfy customer needs.

RESOLUTE

OVERVIEW

THE YEAR AT A GLANCE

FACTORS IMPACTING OUR PERFORMANCE IN 2022/23

SUSTAINABLE GROWTH
Sustaining market share in General Trade channel during supply constraints and cost escalations

QUALITY AND INNOVATION
Ongoing investment in R&D to expand and diversify product range to suit operating context

EMPOWERED TEAM
Professional and agile team enabling resilience to face the challenging circumstances

COST ESCALATIONS
Significant increases in input material cost due to rupee depreciation, foreign currency shortage, supply limitations and inflationary pressure

SUPPLY CHAIN DISRUPTIONS
Strategic focus on the agility and flexibility of supply chain partners and continuous effort to minimise production disruptions

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE		2023	2022	YOY Change
Revenue	Rs.'000	**6,444,270**	4,601,230	40%
Gross Profit	Rs.'000	**1,386,323**	1,141,336	21%
Operating Profit	Rs.'000	**230,477**	394,896	(42%)
Profit Before Tax	Rs.'000	**69,115**	389,765	(82%)
Profit After Tax	Rs.'000	**13,945**	329,573	(96%)
EBITDA*	Rs.'000	**457,803**	555,501	(18%)

FINANCIAL POSITION		2023	2022	YOY Change
Current Assets	Rs.'000	**2,275,413**	1,621,920	40%
Total Assets	Rs.'000	**4,302,695**	3,439,534	25%
Total Debt	Rs.'000	**1,230,059**	330,929	272%
Shareholders' Funds	Rs.'000	**2,108,276**	2,192,631	(4%)
Debt / Equity	%	**58.34**	15.09	43.25
Debt / Total Assets	%	**28.59**	9.62	18.97

WORKING CAPITAL MANAGEMENT		2023	2022	YOY Change
Inventory	Days	**64**	60	4
Receivable	Days	**48**	56	(8)
Payable	Days	**22**	28	(6)
Working Capital Cycle	Days	**90**	88	2
Current Asset Ratio	Times	**1.27**	1.80	(0.53)
Quick Assets Ratio	Times	**0.60**	1.15	(0.55)

PROFITABILITY RATIOS		2023	2022	YOY Change
Operating Profit Margin	%	**3.58**	8.58	(5.00)
Return on Assets	%	**0.36**	10.13	(9.77)
Return on Equity	%	**0.65**	15.44	(14.79)
Return on Capital Employed	%	**7.84**	16.09	(8.25)

INVESTOR RATIOS		2023	2022	YOY Change
Earnings per Share	Rs.	**0.55**	12.92	(12.37)
Net Assets per Share	Rs.	**82.68**	85.99	(3.31)
Dividend per Share	Rs.	**2.00**	9.50	(7.50)
Market Price per Share as at 31st March	Rs.	**160.00**	166.25	(6.25)
Market Capitalisation as at 31st March	Rs.'000	**4,080,000**	4,239,375	(4%)
Price Earning Ratio	Times	**290.91**	12.87	278.04
Cash Earnings per Share	Rs.	**8.29**	22.17	(13.88)

*EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation

NON-FINANCIAL HIGHLIGHTS

			2023	2022
Financial And Manufactured Capital	**Direct Economic Value Generated**	Rs.'000	**6,479,052**	4,636,789
	Distributed To:			
	Employees	Rs.'000	**745,732**	616,287
	Government	Rs.'000	**767,956**	329,339
	Shareholders	Rs.'000	**51,000**	242,250
	Depreciation and Amortisation	Rs.'000	**196,745**	176,596
	Economic Value Added	Rs.'000	**1,830,081**	1,457,746
	Property, Plant and Equipment	Rs.'000	**1,702,029**	1,502,851
	Capital Expenditure	Rs.'000	**292,095**	126,831
Intellectual Capital	No. of Certifications	No.	**17**	19
	No. of Recipes	No.	**+550**	+530
	New Products Launched	No.	**15**	5
	Average Length of Employee Service	Years	**11**	12
Human Capital	Total Employees	No.	**543**	572
	Payments to Employees	Rs.'000	**745,732**	616,287
	Employee Satisfaction Rate	%	**78**	82
	Female Representation	%	**16**	16
	Investment in Training	Rs.'000	**7,400**	1,326
	Total Training Hours	Hours	**7,914**	3,625
	Average Training Hours/Employee	Hours	**15**	9
	Workplace Injuries	No.	**7**	7
Social and Relationship Capital	Supplier Reach	No.	**+200**	+200
	Distribution Network	No.	**55**	59
	Retail Outlets	No.	**+32,000**	+33,000
	Payments to Suppliers	Rs.'000	**5,737,499**	3,362,656
	Supplier Audits	No.	**48**	11
Natural Capital	Energy Consumption	GJ	**29,511**	30,650
	Water Consumption	m^3	**94,832**	89,937
	Water Recycled	%	**31**	26
	Solid Waste Generation	MT	**650**	580
	Carbon Footprint	tCO2e	**4,481**	4,688

CHAIRPERSON'S MESSAGE

INTRODUCTION

On behalf of the Board of Directors of Keells Food Products PLC (KFP), I am pleased to present the Integrated Annual Report and Audited Financial Statements of your Company for the financial year ended 31 March 2023. The ensuing sections of the report will provide you with a balanced and comprehensive review of the Company's performance, particularly amidst the unprecedented challenges that prevailed during most parts of the year, the value creation process and the strategies in place to navigate the business towards sustainable growth.

OPERATING ENVIRONMENT

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

Similar to the previous year, global and domestic supply side disruptions continued to exert inflationary pressures on the economy, including on food items, thereby impacting business performance. Inflation, as measured by the National Consumer Price Index (NCPI), peaked at 73.7% (2013 Base) in September 2022, with a gradual reduction thereafter. As at March 2023, inflation stood at 49.2% (2021 Base). Foreign exchange liquidity remained a key concern as high levels of foreign debt, a growing trade deficit and the slower than expected recovery of foreign exchange inflows contributed towards a deterioration of the external financing position. This, among others, prompted the Central Bank of Sri Lanka (CBSL) to accommodate a flexible exchange rate regime from March 2022 onwards, which resulted in an immediate 27% depreciation of the Rupee. Additionally, the foreign exchange crisis also resulted in suspending the servicing of external debt in mid-April 2022, as an interim measure while soliciting support from official and private creditors to restructure outstanding debt. Against the backdrop, Sri Lanka moved to a pre-emptive default status, until such time progress is made on the debt restructure process. The steep depreciation in the Rupee, followed by accelerated inflation through imported prices, including second-round effects of such excessive depreciation on other goods and services resulted in a notable increase in raw material and overhead costs, adversely impacting your Company's performance and margins. The contractionary monetary policy followed by the CBSL in response to escalating inflation, resulted in policy rates being increased by ~900 basis points from April 2022 till March 2023, which adversely impacted the Company's borrowing costs.

The year under review was also characterised by fiscal tightening, with a marked increase in both direct and indirect taxes to bridge the budget deficit. Accordingly, Value Added Tax (VAT) was increased from 8% to 15%, corporate taxes on manufacturers were increased from 18% to 30%, while a social security contribution levy of 2.5% was also introduced. Consumer disposable income, and thereby household budgets, also noted a significant reduction driven by inflationary impacts and the contractionary monetary and fiscal policy including impacts of the significant increase in personal income taxes during the last quarter, which adversely impacted demand and reduced consumption of our products.

STRATEGY AND OPERATIONAL REVIEW

KFP implemented a four-pronged strategy during the year to defend market share, enter margin additive adjacent new categories, drive sustainable growth in exports and maintain the product margins at a reasonable level amidst the cost escalations. In the first quarter of 2022/23, the Company managed to record a 14% volume growth and 81% growth in topline despite the social, political and economic instability that prevailed in the country. However, the price increases in excess of 50% undertaken by the Company coupled with lower disposable incomes exerted pressure on demand during the subsequent quarters. Price increases were necessitated by the cost escalations in key raw materials, such as chicken and pork, which increased by 93% and 77%, respectively. Despite these challenges, KFP was able to successfully defend its retail sausage market share at

~60% during the year and the Company continued to report topline growth on the back of the price increases taken to manage increasing costs.

Although the Company's channel strategy was largely focused on General Trade and Modern Trade to ensure the reach of our products and improving our distribution capabilities, both channels recorded a decline during the year due to the challenges discussed earlier. Notably the Hotel channel recorded encouraging growth reflecting the gradual revival in tourism activity. Modern Trade accounted for 33% of volumes, whilst the General Trade, HORECA and Hotel channels accounted for 43%, 15%, and 6% respectively. Focused efforts on expanding the export market yielded positive results with a 49% growth in volumes, albeit on a low base, contributing to a 152% growth in export turnover, driven by both existing markets such as the Maldives and the Middle East, as well as new markets.

Your Company also focused on various initiatives to expand its portfolio and to retain market dominance. To this end, the business relaunched the kiddies range, introduced the 'Nai Miris' sausage as well as the crispy chicken range and maalu curry range, among others. In line with the demand trends witnessed, with buyers opting for smaller pack sizes at affordable rates, retail sausages were launched in small pack sizes in the second half of the year under review. Expansion of the Soya range with multiple flavour options recorded encouraging growth, particularly in the second half of the year, aided by a decline in meat consumption due to its high cost, as a distant substitute; the Soya range emerged as an opportune strategy for growth given that it is an affordable source of protein similar in texture to meat, enables a range of flavours, and has convenient handling and storage requirements.

Despite the encouraging topline performance, the challenging operating environment, as outlined earlier, exerted significant pressure on your Company's margins and profitability. Gross margins were impacted by significant cost escalations in raw materials and packing materials, whilst operational costs noted a 94% increase, only a potion of this could be recouped by way of price increases, which impacted the gross profit margins. The key raw material costs such as chicken and pork noted unprecedented increases due to the unavailability of animal feed on the back of foreign exchange constraints. Procurement of imported casings and certain additives also proved challenging due to supply chain disruptions and import restrictions, which exerted pressure on both costs and stock holding. Utility and fuel rate hikes coupled with increases in various taxes also exacerbated the pressure on margins. The increase in staff costs due to the various retention and relief interventions also impacted the overall overheads of the Company.

Cashflow management remained a key area of focus during the year as supply chain disruptions, foreign exchange liquidity concerns and limited market credit necessitated an increase in inventory levels to sustain day-to-day operations and working capital support, particularly due to increase in working capital days. Concerns emanating from the sovereign downgrade, including suppliers curtailing extended credit, further increased the funding requirements of the Company which was primarily bridged through bank overdrafts. The working capital value increased by 87% to Rs.1,594 million from Rs. 854 million in 2021/22, and this resulted in an increase in the finance costs of your Company. The Company continued to conduct weekly cashflow reviews to plan and manage funds, which included the interventions such as rationalising costs and curtailing non-essential capital expenditures, which enabled the Company to proactively manage cashflow pressures and finance costs.

FINANCIAL PERFORMANCE

KFP recorded a 40% growth in Revenue to Rs.6,444 million while successfully maintaining market share on a backdrop of decreased disposable income and higher prices, reflecting the strength of the brand, product portfolio and its relevance to modern lifestyles. In absolute terms Gross Profit increased by 21% to Rs.1,386 million, although margins were impacted by the various cost pressures outlined above. Gross Profit margins deteriorated to 22% from 25% in 2021/22 reflecting the challenges in striking a balance between escalated costs, increase in prices, and resultant pressure on volumes. Operating costs noted significant increases with a 46% increase in cost of sales, 30% increase in administration expenses and a steep 66% increase in selling and distribution costs. More prominently, finance costs increased to Rs.172 million [2021/22: Rs.12 million] on the back of higher interest rates and working capital requirements of the Company. Resultantly, the Profit Before Tax (PBT) recorded an 82% decline to Rs.69 million. The effective corporate tax rate increased sharply to 80% from 15% of 2021/22 as a result of a one-off deferred tax adjustment amounting to Rs.45 million, which was warranted due to the change in the manufacturer's income tax rate from 18% to 30%. Consequently, Profit After Tax (PAT) declined by 96%

CHAIRPERSON'S MESSAGE

to Rs. 14 million reflecting the multiple challenges in the operating environment and the socioeconomic impacts as outlined above. Excluding the aforementioned deferred tax adjustment, the adjusted PAT stood at Rs.59 million.

Despite the plethora of challenges, the Company continued to maintain a strong balance sheet with total assets at Rs.4,303 million, funded through Rs.2,108 million of equity, Rs. 67 million interest-bearing borrowings and Rs.1,163 million of bank overdrafts. Total assets increased by 25% largely due to the doubling of inventory and a 13% increase in property, plant and equipment. It is noted that bank overdrafts, which noted an increase from Rs.245 million in 2021/22 to Rs.1,163 million, are envisaged to ease in tandem with the normalising of the working capital cycle and decline in interest rates.

OUR EMPLOYEES

The value creation process of your Company has been built around our loyal and dedicated workforce, and I wish to acknowledge, with gratitude, the contribution and commitment of our employees during yet another period of unprecedented challenges. Our people strategy is focused on attracting and retaining a dedicated team through employee engagement, continuous learning and development, proactive industrial relations and commitment to health and safety. The workforce count of the Company remained at 543 employees, with female participation at 16%. Your Company rolled out the landmark parental leave policy of the John Keells Group, extending the 100 days of maternity leave to cover both parents as parental leave at the birth or adoption of a child, ensuring equity, and recognising the importance of both parents' roles in early childcare. Several initiatives in addition to the parental leave policy such as the adoption of gender-neutral terminology and strategies focused on improving accommodations for persons with disabilities were implemented in line with the John Keells Group's Diversity, Equity and Inclusion (DE&I) initiative, 'ONE JKH'. The 'Great Place to Work' survey carried out in the third quarter of the year under review recorded a significant improvement affirming the KFP's commitment to enhancing value to employees in an extremely challenging year.

Cognisant of the economic hardships faced by the Group employees on account of rising prices and reduced disposable income, a plethora of initiatives were undertaken to support employees. These included, among others, a one-off, uniform financial care package in the form of an ex-gratia payment, a monthly temporary crisis allowances effective from January 2023, awareness sessions and webinars on managing personal finances in the current economic climate and emotional support with counsellors.

COMMITMENT TO ESG

KFP's Environmental, Social and Governance (ESG) strategy is well entrenched with the governance and sustainability management framework of the John Keells Group and continued to ensure that sustainability and governance considerations remain an integral part of business. This included initiatives to promote greater environmental responsibility, including GPS tracking and route optimisation to reduce emissions, as well as waste management initiatives in nearby schools. Additionally, KFP partnered with John Keells Foundation to provide educational programmes, including an English Language Scholarship Programme, covering 7 schools in Ja-Ela and Pannala area. Through the Praja Shakthi Initiative, KFP raise awareness on substance abuse and engaged with community members on livestock farming and spice production.

DISTRIBUTOR NETWORK AND SUPPLIERS

KFP continued to work with a network of over 200 suppliers who experienced a challenging year on the back of increased costs of animal feed and escalation in operational cost. In addition to the assistance provided by the Company to such farmers to procure animal feed and ensuring availability of a veterinarian to support with animal health issues, the Company held steadfast in its commitment to purchase their produce and settlement on a timely basis and thereby supported livelihoods. An island-wide network of 55 distributors were also supported during the year through various schemes and initiatives such as extended credit, increased margins and performance tracking. Temperature monitors were installed in redistribution vehicles to optimise fuel consumption. The inventory management system introduced to distributors during the year further augmented efficient working capital management.

GOVERNANCE

Governance remained at the forefront in all decision-making and the Board of Directors increased their vigilance as the operating environment noted significant volatility. Potential implications on the Company's performance and stakeholders were analysed and several initiatives were implemented to further strengthen the Company's governance framework. I am pleased to state that there were no reported violations of the Group Code of Conduct and the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance 2013, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

OUTLOOK

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

At KFP, focus efforts will be made to reduce the overdrafts and related finance costs to restore profitability and improve margins. The recent decrease in chicken and pork procuring prices has enabled the company to reduce the prices and to drive volume. Added on the fuel prices and stabilisation of energy supply is expected to ease the pressure on gross and operating margins. To enhance gross margins, KFP plans to leverage on sourcing and production efficiencies by strengthening the procurement process by having multiple suppliers to negotiate better and secure forward contracts for better pricing. We will also focus on normalising our inventory holdings to reduce stress on the working capital cycle, which will reduce the financing cost of the business. With working capital cycles starting to improve with banks offering letters of credit facilities and Company not holding excessive stocks as risk mitigation against supply chain disruptions, the finance cost of the Company is expected to come down. The focus on small pack sizes will continue to drive growth and increase market share as affordability is expected to remain a key concern in the short to medium term. We will focus on strengthening of the distribution network, expanding dry range of products, and increasing operational efficiencies in our manufacturing facilities which will aim at driving growth and improving the company's profitability. Emphasis will be placed on strengthening the distribution network by enhancing the profitability of distributors to ensure a stable network of distributors with enhanced performance in terms of product availability and visibility. KFP plans to reduce its dependence on the frozen channel by expanding its range of dry products and expanding the outlet base of dry range. We will invest in our manufacturing plants to increase productivity and efficiency, which will lead to greater cost savings and superior quality.

DIVIDEND

The Board has recommended the payment of a final dividend of Rs. 0.50 cents per share, in addition to the interim dividend of Rs. 1.50 per share paid in February 2023, resulting in a total dividend per share of Rs. 2.00 for the financial year 2022/23. Accordingly, the total payout from profits earned for the year amounted to Rs. 51 million which translates to a 366% payout ratio.

ACKNOWLEDGEMENTS

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

Krishan Balendra

Krishan Balendra
Chairperson
22nd May 2023

ABOUT OUR ANNUAL REPORT

Keells Food Product PLC's Integrated Annual Report has been carefully structured and presented to provide our readers with a concise and balanced overview of how our strategy is directed in creating value for our stakeholders over the short, medium and long-term. The report gives an update on matters that are most material to us and demonstrates how resources were distributed to create value.

Basis of Preparation

Reporting Entity

Keells Food Products PLC ("KFP" or "the Company") which operates solely in Sri Lanka and its Subsidiary, John Keells Foods India Private Limited, which has operations in India. Collectively these entities are referred to as "the Group."

Standards and Principles

- Sri Lanka Accounting Standards issued by CA Sri Lanka
- Companies Act No. 07 of 2007
- <IR> Framework of the International Integrated Reporting Council
- Sustainability reporting: Prepared with reference to the GRI Standards
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
- ESG Reporting Guidelines issued by the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by Securities and Exchange Commission of Sri Lanka (2017)

Reporting Concepts

Strategic focus : Demonstrates how our activities are guided by clearly defined strategic priorities.

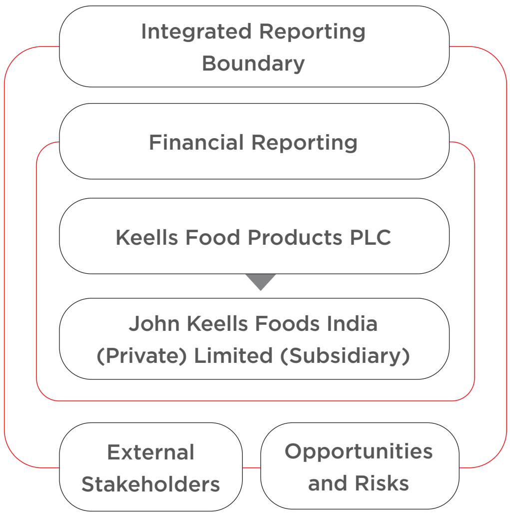
Connectivity : Use of navigation icons and signposting across Report

Conciseness : Discussion limited to material factors that are most relevant to stakeholders

Scope and Boundary

This Report covers the operations of the Group for the period from 1st April 2022 to 31st March 2023. The financial and non-financial information presented relates to consolidated information, unless otherwise mentioned. The Group adopts an annual reporting cycle, and this Report builds on the Group's previous report for the financial year ended 31st March 2022.

There were no significant changes to the Group's structure, supply chain or size nor any material restatements of information provided in the previous Annual Report.



Assurance

KFP adopts a combined assurance model in ensuring the integrity of the financial and non-financial information presented in this Report. Internal assurance on the Financial Statements and the relevant internal controls are provided by the Internal Audit function and the Audit Committee while external assurance is provided by Messrs. Ernst & Young. Meanwhile, the accuracy of the Company's non-financial information is assessed by the John Keells Group Sustainability Unit. We have not sought external assurance on our sustainability reporting.

FEEDBACK

We are committed to consistently enhancing the readability and relevance of our reporting and we welcome your suggestions and comments on our Annual Report. Please direct your feedback to,

Ms. P N Fernando
Director / Chief Financial Officer
Keells Food Products PLC
E-mail: Nelindra.ccs@keells.com

CONNECTIVITY OF INFORMATION

CAPITALS	STAKEHOLDERS	STRATEGY
Financial Capital	Consumers	Sustainable Growth
Manufactured Capital	Investors	Quality and Innovation
Intellectual Capital	Employees	Accountability
Human Capital	Business Partners	Empowered Team
Social & Relationship Capital	Government & Regulators	Strengthen Channel and Supply Chain
Natural Capital	Communities	

STATEMENT OF RESPONSIBILITY

Board Responsibility

The Board of Directors is responsible for ensuring the integrity and accuracy of this Integrated Report. The Board hereby confirms that in their opinion, this Report addresses all material issues and presents the Group's performance in a fair manner and is prepared in accordance with the <IR> Framework.

Krishan Balendra
Chairperson

22nd May 2023

EVENTS FOR THE YEAR

Month	Activity
APRIL	**Avurudu Campaign** KeellsKrest "Avurudu Sadaya" Campaign was carried out for the second consecutive year via Radio & Digital media platforms. Volume-driving initiatives were implemented across multiple platforms during the New Year's celebrations. Digital marketing activities generated engagement among our online followers.
	KeellsKrest Nuwara Eliya Wasantha Sanakeliya During the Nuwara Eliya Season, activities for brand visibility and activities to drive volume were implemented across the region.
MAY	**English Language Scholarship Programme (JKELSP) with John Keells Foundation** A programme was conducted targeting school children from underprivileged families in few identified schools situated in Ja-Ela and Pannala to provide them with an opportunity to learn how to speak English confidently.
	Home Gardening Series KFP took the initiative to provide support to encourage home gardening among its employees. The programme was initiated with guest speaker Mr. Subhash Jayaneththi – the Agricultural Instructor for the Kalutara District conducting awareness sessions on home gardening techniques.
JUNE	**"Steps of the Call" – Sales Staff Training Programme** A one-day training programme was conducted on the topic "Steps of the Call" focused on sales strategies at Regent Country Club – Malabe. The programme included sales representatives and area sales managers, who participated actively in the session.
	Soya Meat Packaging Revamp The packaging of the soya meat range was revamped. The range consists of flavors such as chicken, curry, cuttlefish, and regular. The new packaging design is modern, sleek, and visually appealing, contributing to enhance the overall shopper experience.
JULY	**Food Hospitality Asia Maldives (FHAM) Exhibition – Export Markets** KFP participated in Food Hospitality Asia Maldives (FHAM) Exhibition in the Maldives. The exhibition provided us with an opportunity to showcase our products to a wider audience and connect with potential customers in the hospitality and food service industry in the Maldives.
	ISO 9001: 2015, ISO 22000: 2018 and GMP General Awareness – Pannala An awareness session was conducted for Pannala operations team covering the importance of ISO 9001: 2015 ISO 22000: 2018 and Good Manufacturing Practices. The session was facilitated by KFP QA team.
AUGUST	**Annual Staff Trip 2022** The Annual Staff Trip was attended by both non-executive and executive staff members, along with their families at Club Palm Bay - Marawila. The excursion enhanced employee engagement and camaraderie among the staff.
	Model Garden and Cultivation Project The concept of Home-Gardening was effectively implemented at the factory grounds, producing fresh items that could be used in production and sold to employees at a nominal price.
SEPTEMBER	**Frankie Launch** KFP's kid range which was originally launched in 100g format was relaunched with a packaging facelift and 250g size targeting Children's Day. The relaunch efforts were aimed at promoting the Frankie range as a wholesome and fun way for kids to enjoy their meals.

Month	Activity
OCTOBER	**A Care Package to Factory Workers** During the economic crisis, KFP began providing its employees with a monthly care package consisting of essential dry products and company products.
	Launch of Nai Miris Sausages Nai Miris Sausages was launched to compete in the spicy category with the tagline "The bite that bites back". This new sausage is a variation on our popular Kochchi sausage and contains a new ingredient; scotch bonnet, that we believe will set it apart from the competition.
NOVEMBER	**Digital Learning Initiative among School Children in the Ja-Ela Area with John Keells Foundation** Launched the programme which facilitates online learning for selected economically disadvantaged school children by providing tabs and data packages for educational purposes.
	Launch of 325g Catering Pack A value-for-money product aimed at enhancing relevance in the catering sausage category. The 325g catering sausage pack offers an affordable pack size for the food service environments.
DECEMBER	**Mental Health Development Session among School Children in G.B Senanayake Vidyalaya, Ja-Ela** The programme highlights the importance of maintaining mental health in school children. Though the main focus was on school children, parents and teachers were also involved in this session and conveyed how they can help children to achieve and sustain a state of good mental health.
	CA Sri Lanka's TAGS Awards 2022 KFP has won the Silver Award in the Food and Beverages Sector at the TAGS Awards 2022 by the Institute of Chartered Accountants of Sri Lanka, recognising its excellence in corporate reporting and commitment to transparency, accountability, good governance, and sustainability.
JANUARY	**Launch of Crispy Chicken** KFP launched KeellsKrest Crispy Chicken to the KeellsKrest family with a Sri Lankan spicy flavor and is prepared from a combination of high-quality ingredients, to make the meat incredibly crispy and tasty with an enticing aroma. The product is available in 500g crispy strips and 650g crispy thigh pieces.
FEBRUARY	**Launch of Maalu Curry** KeellsKrest Maalu Curry is a fish-based processed meat curry launched to target the pescatarian consumer base. This frozen product can be conveniently prepared and is available in 200g packs.
	Annual Family Get-together (Ja-ela) The Staff Family Get-together was held in February 2023 at Ja-Ela Factory premises.
MARCH	**Providing Necessary Seeds and Fertilizers to the Community** In collaboration with the office of the Divisional Secretariat in Ja-Ela and John Keells Foundation, a programme was launched to distribute seeds and fertilisers to disadvantaged families to enable enhanced harvest of fruits and vegetables.
	Women's Day Celebration - 2023 International Women's day was celebrated in both Ja-Ela & Pannala plants, with the participation of female and male work colleagues, strengthening the concept of "Diversity, Equity, and Inclusion".

REVITALISE

MANAGEMENT DISCUSSION AND ANALYSIS

OUR BUSINESS

ORGANISATIONAL OVERVIEW

KFP is the pioneer and market leader in Sri Lanka's processed meat industry with an established track record of four decades. With an unparalleled reputation for innovation, product and process quality, the Group has sharpened its competitive edge through continued investments in manufacturing technology and research and development which has enabled it to cater to evolving consumer needs. Our products are distributed island-wide through an extensive network of 55 distributors and over 32,000 retail outlets. The Group has also established a regional presence, through exports to Maldives and several markets in the United Arab Emirates. KFP is a Subsidiary of John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate and the most valuable listed entity in Sri Lanka.

- High standard of product and process quality through compliance and certifications
- Much loved brand names including Keells Krest and Elephant House
- Island-wide market reach facilitated by extensive distribution network and retail outlets
- Array of products catering to evolving customer needs
- Team of 543 high-performing, agile and committed professionals

OUR PRODUCTS

- Processed meat
- Crumbed and formed meat
- Soya and canned range

OUR CHANNELS

- General Trade
- Modern Trade
- HoReCa
- Hotels
- Exports

Rs. **6,444** million **Revenue**	Rs. **230** million **EBIT**
Rs. **4,303** million **Total Assets**	Rs. **2,108** million **Total Equity**

OUR BUSINESS

VALUE CREATION MODEL

The Group's value creation model graphically depicts how we utilise our resources and relationships (capital inputs), transform these inputs through our business activities and in turn generate outputs and stakeholder outcomes. This transformation process leads to the creation, preservation and erosion of our capital inputs and is underpinned by strong corporate governance and risk management practices. This value creation process is illustrated below;

CAPITAL INPUTS

FINANCIAL CAPITAL 30

The funds obtained through shareholders, banks and other lenders which allow us to drive our strategic ambitions.

- Shareholders' funds: Rs. 2,108 million
- Borrowings: Rs. 1,230 million

MANUFACTURED CAPITAL 33

State-of-the-art manufacturing facilities through which we manufacture our products.

- 4 Production facilities
- Property, Plant and Equipment: Rs. 1,702 million (Page 155)

INTELLECTUAL CAPITAL 35

Represents our brands and extensive recipe library which underpins our competitive edge as well as our strong R&D capabilities.

HUMAN CAPITAL 38

Our team of 543 employees who provide the competencies and commitment to support the delivery of our strategic objectives.

SOCIAL AND RELATIONSHIP CAPITAL 44

The relationships we rely on to drive our value creation and provide our social license to operate

- Distributors: 55
- Retail partners: +32,000
- Suppliers: +200
- Communities in which we operate (Page 48)

NATURAL CAPITAL 50

Natural resources we rely on to manufacture and distribute our products and manage our operations.

- Energy consumption: 29,511 GJ
- Water consumption: 94,832 m^3

VALUE TRANSFORMATION

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.

VALUES: Innovation, Integrity, Excellence, Caring, Trust

Strategic Priorities

- Sustainable Growth
- Operational Efficiency
- Innovation & Quality
- Channel and Supplier Relationships
- Empowered Team

Underpinned by effective Corporate Governance (page. 54) and Risk Management practices (page. 90)

- Corporate Governance
- Risk Management Framework
- ESG Focus

Operating Environment

- Macroeconomic Developments
- Supply Chain Implications
- Changing Customer Preferences
- Climate Related Risks
- Government Regulations

OUTPUTS

Rs. 768 Mn
Payments to Government

Rs.1,830 Mn
Economic Value Added

Rs. 746 Mn
Employee Reumneration

Rs. 5,737 Mn
Payments to Suppliers

4,481 tCO2e
Carbon Footprint

OUTCOMES

FINANCIAL CAPITAL
+ Rs. 230 million in EBIT
+ Rs. 51 million dividend payments
- Rs. 172 million paid as interest
- Share price Rs. 160/-

MANUFACTURED CAPITAL
+ Rs. 292 million capital expenditure
+ Rs. 11 million in Research & Development

INTELLECTUAL CAPITAL
+ 15 new product variants added
+ Rs. 237 million in brand building intiaitives

HUMAN CAPITAL
+ Rs. 746 million in salaries and benefits
+ Rs. 7 million investment in training
+ Measures to ensure physical and mental well-being
+ 85% employee satisfaction rate (GPTW score)
- 7 workplace injury

SOCIAL AND RELATIONSHIP CAPITAL
+ Rs. 433 million distributor earnings
+ Rs.5,737 million payments to suppliers
+ Ongoing investment in community projects

NATURAL CAPITAL
+ Zero environmental grievances
+ Fully compliant with all relevant environmental regulations
- 4,481 tCO2e generated from operations
- 650 MT Waste generated
- 29,756 m^3 Effluents discharged

OUR BUSINESS

OPERATING LANDSCAPE

Key trends in the economic and industry landscape and their impact on the Group's strategy, operations and performance is summarised below:

PESTEL

POLITICAL

While the power blackouts and shortages of essential items gave rise to widespread national protests for change in the political system during the first quarter of 2022 , political stability has since been restored following a change in leadership and the revival in supply of key essential items.

ECONOMIC

The economic crisis gave rise to unprecedented volatility and uncertainty resulting in the Government approaching International Monitory Fund (IMF) for assistance, unlocking USD 2.9 billion facility to support progress towards economic stability.

Fuel restrictions and power shortages caused challanges in production and the distribution.

SOCIAL

The economic instability gave rise to high levels of social unrest in the first half of 2022. This has stabilised to a large extent, although high inflation remains a concern, exerting pressure on inequality, poverty, food security. Further, brain drain is also a key concern.

TECHNOLOGY

Continuous research into new product development and food safety has resulted in increased quality control through traceability and environmental monitoring systems.

ENVIRONMENT

Climate change and extreme weather impacted global food supply raising concerns on food security. Although Sri Lanka is in a vulnerable position due to its heavy reliance on imports, the situation is stabilising as import restrictions are eased and good weather persists.

LEGAL

Introduction of new regulations pertaining to taxation and continuation of industry regulations and certifications

OPERATING CONTEXT

ECONOMIC ENVIRONMENT

Sri Lanka's GDP contracted by 7.8% with the industrial sector reporting a negative growth of 16% and the manufacture of food, beverages and tobacco declining by 14.2% due to power shortages, lack of imported raw material and FOREX regulations. In the second quarter of 2022, Sri Lanka's sovereign credit rating was downgraded to Selected Default (S&P) due to the country's inability to service its debt commitments in the face of a substantial debt repayment schedule, limited foreign exchange reserves, and weak economic development prospects. In March 2023, the IMF Board approved an Extended Fund Facility (EFF) of approximately US$ 2.9 billion to support Sri Lanka's economic policies and reforms. The IMF Programme is due to unlock pending multilateral loan disbursements that have got held up and provide an injection of capital to fund essential expenses, paving the way to restore macro-economic stability and debt sustainability.

Impact on KFP: Decline in disposable income and resultant impact on demand.

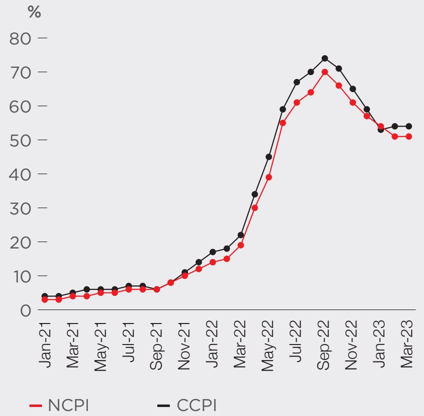
Significant increase in finance cost due to increased working capital requirement with disruptions in the supply chain and foreign exchange liquidity constraints coupled with interest rate increases.

INFLATION

Rising global prices and supply side disruptions led to the escalation of inflationary pressure with National Consumer Price Index (NCPI) peaking at 73.7% YoY in September 2022. The Central Bank of Sri Lanka (CBSL) has adopted monetary policy modifications, fiscal austerity, and regulatory measures to control inflation resulting in inflation dipping to 57.2% in December 2022. Food inflation (YoY) increased to 85.8% in September 2022 with increases observed in prices of fruits, chicken and wheat flour. Food inflation has eased to 42.3% in March 2023 and is expected to decline.

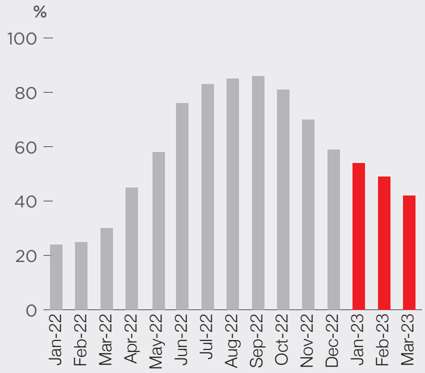
Impact on KFP: High inflation resulting in consumer spending being under pressure and increased priced sensitivity leading to adverse impact on demand.

INFLATION CCPI & NCPI



Source: Department of Census & Statistics

FOOD INFLATION



INTEREST RATES

CBSL continued to implement policy tightening measures in 2022 in efforts to curb surging inflation and ease the imbalance in the external sector. Consequently, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) was increased from 5.50% and 6.50% respectively at the beginning of the year to 15.50% and 16.50% respectively by March 2023. Bank rates were also increased resulting in market interest rates rising accordingly.

Impact on KFP: Increase in borrowing costs for funding working capital

CONSUMER SPENDING

On current prices, household consumption expenditure increased by 34.3%, on constant prices. However, consumption recorded a contraction of 8% reflecting the uptick in inflation, import restrictions and the overall weakening of consumer sentiments in view of macro-economic pressures.

Impact on KFP: Adverse impact on demand for non-essential food items as consumers reduce expenditure on discretionary purchases

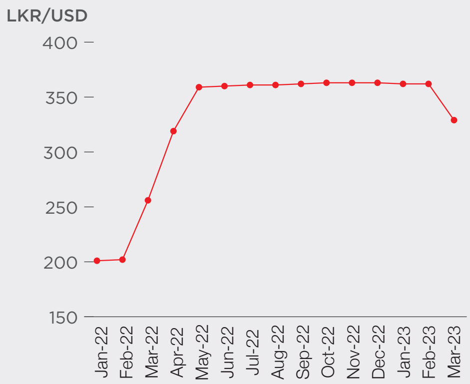
EXCHANGE RATE AND EXTERNAL POSITION

Sri Lankan domestic foreign exchange market remained fragile amidst severely strained foreign exchange liquidity with the Rupee depreciating 44.5% against the US Dollar during 2022. However, the implementation of policy measures including import restrictions and tariffs, and the cautious approach adopted by the banking sector mitigated the stress in the forex market to some extent, with the rupee beginning to appreciate by the 4th quarter.

Impact on KFP: Cost escalations of input material

INTEREST RATES

EXCHANGE RATE MOVEMENT RUPEES PER USD



Source: Central Bank of Sri Lanka

OUR BUSINESS

FUTURE ECONOMIC OUTLOOK

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

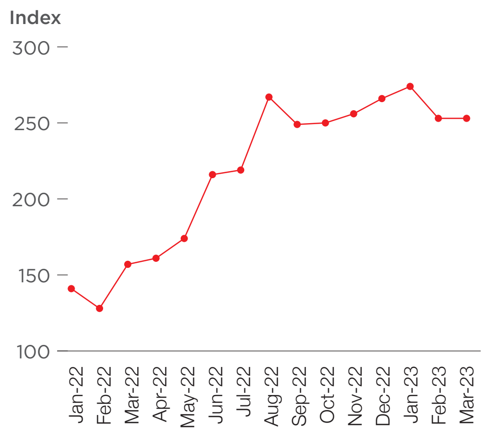
INDUSTRY DRIVERS

Industry Environment

Sri Lanka's meat industry is an important sub-sector of the livestock sector and is mainly focused on chicken with a relatively smaller amount of pork, beef and mutton production. Consumption of processed meats has also increased gradually, aided by urbanisation, higher disposable incomes, and customer sophistication.

Given the economic context, agricultural activities recorded a 4.6% decline in 2022 in the overall agriculture sector compared to 2021, with animal production contracting by 12.9%. Import restrictions on animal feed and shortages in the global corn market contributed to the contraction while cost of production recording a significant increase, reflecting high procurement prices in both imported and domestically sourced input materials.

PRODUCER PRICE INDEX - ANIMAL PRODUCTION



Source: Department of Census & Statistics

An overview of the industry drivers during the year is given below:

Consumer Preferences	
• Customers discretionary spending was impacted as inflationary pressure reduced their disposable income. • Fluctuating prices and scarcity of fresh chicken, fish and pork resulted in consumers opting for processed meat options as a key source of protein • Consumers shifted towards in home consumption as travelling limitations ensued during the fuel crisis	**Implications to KFP:** • Reduction in demand as consumers curtailed spending on discretionary food items • Opportunity to widen portfolio with the introduction of new flavours of processed meat and dry range **Our response:** Quick and agile response resulted in numerous new product launches including smaller pack sizes for price conscious consumers and a variety of new flavour profiles. We continue to monitor changing consumer preferences to maintain relevance and desirability of our product portfolio.

Environment and Climate Related Risks	
• The high levels of energy and water required by the meat production industry could have far-reaching effects on the ecosystem and agricultural land. There may be significant ecological consequences associated with meeting the rising global demand for meat. • Extreme weather patterns caused by climate change could impact global food supply, raising concerns on food security	**Implications to KFP:** • Reduced input materials due to climate impact on feed and water supplies to livestock. • The sector's long-term social and environmental sustainability may be affected by the growing number of ethical and ecologically sensitive consumers.
	Our response: • Increased investments in technology and automation • Ongoing focus on productivity improvements and lean initiatives for efficient use of resources • Spread environmental awareness across our operations to lessen the impact on the environment and community.

Supply Chain Disruptions	
• During the year, supply chain disruptions, both domestic and foreign, remained a major constraint in maintaining a steady supply of inputs. Interruptions to energy supply and difficulties in sourcing fuel and gas impacted the manufacturing process. Import restrictions imposed by the government to manage the foreign exchange liquidity crisis impacted imports of critical materials, necessitating the increase of inventory held to prevent production interruptions. • Fuel restrictions caused logistical difficulties in the distribution of goods and production	**Implications to KFP:** • Challenges in ensuring the continued supply of raw materials • Significant increase in the cost of input materials and resultant impact on product margins • Increase in stock holding cost to manage the uncertainties
	Our response: • Proactive engagement with suppliers to ensure security in raw material procurement • Maintained higher levels of inventory to minimise stock out situations • Provision of fuel to distributors and suppliers on a quota basis to continue their operations • Initiated local alternative options to replace critical imported materials • Purchases in local currency from local importers and traders

Government Policy	
• Given the country's weak external position, the Government enacted a variety of measures to preserve and grow foreign currency reserves. • New tax regulations were introduced during the year to boost Government revenue • Tight monetary policy to curb inflation	**Implications to KFP:** • Cost escalations in raw and packing materials • Increased taxes • High financial cost from short-term borrowings to finance working capital • Temporary suspension of key materials such as casings, packing and egg powder
	Our response: • Adhering to Government regulations • Increase of productivity efficiencies to minimise rise in costs • Lobbying the Government to lift the bans on key material • Use of alternative materials in production

STAKEHOLDER ENGAGEMENT

LISTENING TO OUR STAKEHOLDERS

We recognize the importance of robust relationships with stakeholders in long-term value creation and place strategic emphasis on understanding and addressing key stakeholders' concerns through open and regular dialogue. The persisting macroeconomic uncertainty prompted additional strengthening of stakeholder involvement throughout the year, as well as timely identification of significant stakeholder issues and facilitation of an effective response through strategic intervention. The results of the Group's stakeholder engagement for 2022/23 is given below:

Key Stakeholders	Consumers	Investors
KEY CONCERNS	• Product availability • Pricing and value for money • Quality and taste • Product portfolio • Convenience	• Implications of external conditions on performance and stability • Relevance of strategy • Commercial, social and environmental sustainability • Returns commensurate with the risks undertaken • Timely and transparent communication • Robust Corporate Governance practices
OUR RESPONSE	Ensured product availability and visibility in General and Modern trade. Focus on diversifying the product portfolio for quality and price conscious consumers.	Continuous assessment of impact of market conditions and astute implementation of strategic interventions to deliver long-term value to our shareholders.
VALUE CREATED	**15** New products introducted	**Rs. 230 Mn** Earnings Before Interest and Tax **Rs. 2.00** Dividends per share
ENGAGEMENT MECHANISM	• Customer satisfaction surveys (periodic) • Customer hotline (continuous) • Social media engagement (continuous) • Website • Marketing communications (continuous) • Mystery Shopper audits (periodic)	• Annual General Meeting and publication of Annual Report (annually) • Interim Financial Statements (quarterly) • Announcements to the Colombo Stock Exchange (continuous basis) • Corporate website (continuous basis) • Press releases (continuous basis) • One-to-one engagement (when required)

Employees	Business Partners	Government & Regulators	Community
• Physical and mental well-being • Rewards and recognition • Safe working environment • Opportunities for skill and career progression • Freedom of association	• Opportunities for mutual growth • Equitable terms and conditions • Financial viability • Continuity of supply • Responsible procurement practices • Timely payments	• Compliance with relevant regulations and guidelines • Payment of taxes on a timely basis • Minimise adverse environmental impacts	• Livelihood development • Meaningful CSR projects • Employment creation • Minimising adverse environmental impacts of operations • Contribution towards community development
An employee value proposition that involves a rewarding, challenging and inclusive work environment alongside opportunities for growth.	Nurtured long-term strategic partnerships and drove mutual value creation through close engagement and financial assistance.	The Group was fully compliant with all relevant regulations during the year and continued to engage with regulators and industry stakeholders to ensure continuity of operations	Continued investments in impactful community and environmental initiatives.
Rs. 746 Mn Payments to employees **Rs. 7 Mn** Investment in training	Financial assistance to distributors **Rs. 5,737 Mn** Payments to suppliers	**Rs. 768 Mn** Payments to Government Compliance with all laws and regulations	**Rs. 2.6 Mn** Investment in CSR **1,030** CSR beneficiaries
• Employee satisfaction surveys -Voice of Employee and Great Place to Work • Performance appraisals (annual) • Work-life balance initiatives • Open door communication policy (continuous) • Digital platforms including staff intranet (continuous)	• Distributor Management System - Surge (continuous) • Distributor conventions (annual) • Audits and site visits (periodic) • Supplier selection process (as required) • Training programmes (ongoing) • Supplier financing	• On-site surveillance and factory visits (periodic) • Directives and circulars (continuous) • One-to-one engagement (when required) • Press releases (continuous)	• Community engagement initiatives (continuous) • Public events (continuous) • Social media interactions and press releases (continuous) • CSR projects in partnership with John Keells Foundation

MATERIAL TOPICS

We define material matters as issues that are of greatest importance to our stakeholders and potentially have the most significant impact on our value creation. Material matters are determined following an analysis of all relevant internal and external factors as graphically illustrated below. The Group's material matters form the anchor of this Report. The material topics given below are a combination of those prescribed by the GRI guidelines and factors specific to our operating environment, value creation model and strategy.

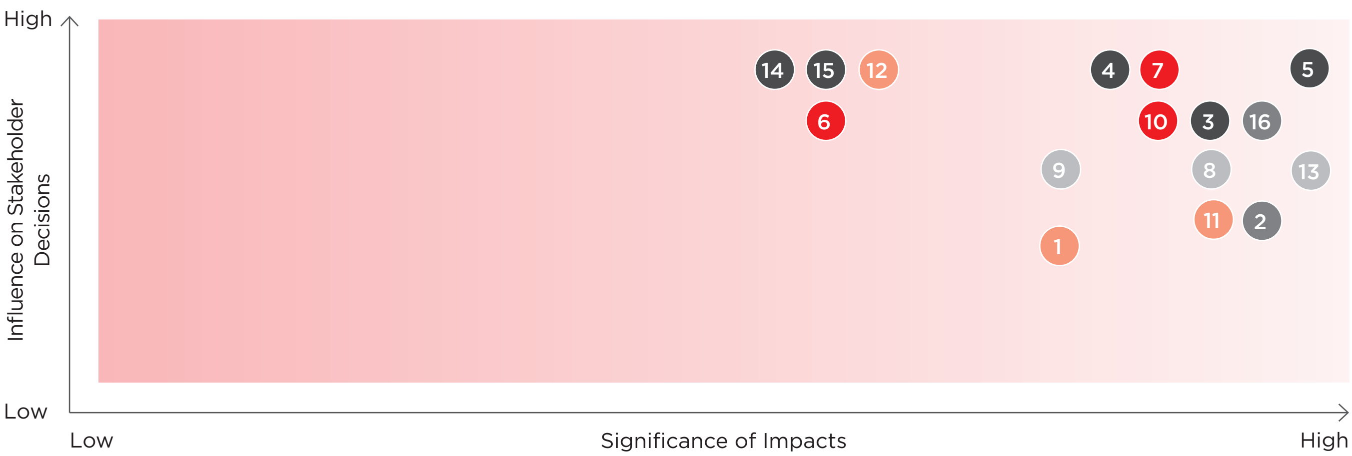
The process we adopt in determining these issues is illustrated below;

IDENTIFICATION OF ISSUES
- Assessment of external environment
- Results of stakeholder engagement
- The Group's strategic aspirations

ASSESSMENT
- Assess potential impact on the Group's performance, stability and key stakeholder groups

PRIORITISATION
- Prioritise matters based on relative significance and likelihood of impact

SELECTION AND VALIDATION
- Determine material aspects to be included in the Report



Sustainable Growth	Quality and Innovation	Operational Efficiency	Empowered Team	Strengthen Channel and Supply Chain

CHANGES IN MATERIAL TOPICS
- Cost management and efficiency improvement
- Macro-economic conditions and policy developments
- Financial performance and stability
- Concern for customers
- Optimising distribution channels
- Talent management
- Effective management of supply chains
- Cash flow and working capital management

Material Topic	Change in Materiality Compared to 2021/22	Corresponding GRI Topic	Topic Boundary
(1) Employee health and safety	No change	GRI 403: Occupational health and safety	Relates to the Group's permanent and contract employees
(2) Cost management and efficiency improvement	Increased in importance	GRI 201: Economic performance	Relates to the Group's operations
(3) Macro-economic conditions and policy developments	Increased in importance	GRI 203: Indirect economic impact	-
(4) Financial performance and stability	Increased in importance	GRI 201: Economic performance	Group financial performance
(5) Market share	No change	-	-
(6) Responsible production and marketing	No change	GRI 417: Marketing and labeling	Relates to the Group's operations
(7) Concern for customers	Increased in importance	GRI 416: Customer health and safety	Relates to the Group's operations
(8) Optimising distribution channels	Increased in importance	-	The Group's distribution networks
(9) Manufacturing capabilities	No change	-	Relates to the Group's operations
(10) Innovation	No change	-	Relates to the Group's operations
(11) Talent management	Increased in importance	GRI 401: Employment GRI 404: Training and education GRI 402: Labour management relations	Relates to the Group's operations
(12) Organisational culture and compliance	No change	GRI 2: General disclosures	Relates to the Group's operations
(13) Effective management of supply chains	Increased in importance	GRI 204: Procurement practices	Relates to the Group's supply chain partners
(14) Managing environmental impacts	No change	GRI 301: Raw materials GRI 302: Energy GRI 303: Water GRI 305: Emissions GRI 306: Waste & effluents	Relates to the Group's operations
(15) Community engagement	No change	GRI 413: Local communities	Relates to the Group's operations
(16) Cash flow and working capital management	New topic	GRI 201: Economic perfomance	Relates to the Group's operations

DELIVERING OUR STRATEGY

The Group's strategy seeks to address its long-term commercial, social and environmental aspirations. Unprecedented developments in the operational environment prompted the modification of these strategies to assure their relevance to emerging dynamics.

	PRIORITIES IN 2022/23	DEVELOPMENTS IN 2022/23
SUSTAINABLE GROWTH	Drive sustainable growth in revenue and profitability through uninterrupted manufacturing, maintain product relevance, and expand its overseas presence.	• Sustaining market share in retail sausages amidst supply chain distruption and cost escalations. • Ensuring uninterrupted manufacturing by securing raw and packing material through close supplier engagement • Maintaining product relevance amidst changing customer priorities and preferences. • Expanding overseas presence through export growth strategy
QUALITY AND INNOVATION	Maintain the highest standards of product quality while exploring alternative materials and innovative formulations, and expanding its ambient product range	• Ongoing investment in R&D to expand and diversify product range • Maintain quality standards while exploring alternative raw materials and innovative product formulations to address supply chain disruptions. • Expansion of ambient range of products to reduce reliance on cold storage.
OPERATIONAL EFFICIENCY	Investing in process efficiency, implementing batch management for traceability, and integrating BI tools for data-driven decisions.	• Ongoing investments in increasing process efficiency • SAP ERP Batch management system introduced to improve traceability and better inventory management • Integration of BI tools for data driven decision making
EMPOWERED TEAM	Offer a competitive employee value proposition that supports achievement of career goals within a conducive work environment through development of skills and competencies	• Continued strategic focus on creating a diverse and inclusive culture • Emphasis on the well-being of our employees • Creating a learning organisation with increased opportunities for training and development
STRENGTHEN CHANNEL AND SUPPLY CHAIN	Enhance the efficiency of our distribution channels and guarantee the commercial viability of our partners. Strategic focus on ensuring financial viability and preserving the agility of our supply chain partnerships.	• Liquidity pressure faced by distributors • Ongoing assistance for the distributor network, including extension of credit terms and incentive schemes • Challenges faced in sourcing ingredients both local and imported • Strategic focus on agility and flexibility of supply chain partners

RESOURCE ALLOCATION	KEY PERFORMANCE INDICATORS	PLANS FOR 2023/24
• Selling and distribution expenses – Rs. 743 million • Product re-engineering to explore the use of alternate input materials • Long-standing network of distributors with robust relationships spanning many years	• Maintained market leadership position of 60% in retail sausages • 49% growth in export volumes	• Enhance product range through flavour offerings and ready-to-cook convenience foods • Expand penetration to the Middle Eastern and other export markets
• Investment in Research & Development – Rs. 12 million • No. of supplier audits - 48	• No. of new products launched during the year: 15 • Products in the pipeline: 12	• Strengthen value-for-money offerings through value engineering of products. • Process innovation to drive cost effective manufacturing methods
• Dedicated teams at factory locations to identify opportunities for process efficiencies. • 68 awareness and training programmes • Capital expenditure on machine upgrade and maintenance – Rs. 292 million	• Cost savings achieved: Rs. 44 million • Number of processes improved: 8	• Map out existing processes to Identify the value-added activities and bottle necks to redefine/ re-design ideal processes
• Payment to employees Rs. 746 million • Investment in training Rs. 7 million	• 85% employee satisfaction rating • Zero fatal accidents • 7,914 training hours	• Strengthen the employer brand • Increased focus on our Diversity, Equity and Inclusion (DE&I) agenda • Organisation-wide initiative to drive the Living Values programme
• Credit extended to distributors • Temperature and GPS tracking devices for distributors • Payments to suppliers: Rs. 5,737 million	• No. of long-standing distributors - 18 • New suppliers added during the year - 12 • Supplier audits conducted during the year - 48 • Ensured continuity of production despite supply chain disruptions	• Maintain strategic focus on increasing penetration through the General Trade channel • Ongoing efforts to diversify the supplier base to mitigate exposure to supply chain disruptions

FINANCIAL CAPITAL

The Company faced macro-economic challenges due to supply chain disruptions, Rupee devaluation, forex shortages, inflation and increases in operational costs. Frequent planning and review of cashflows and working capital management, along with cost rationalisations, helped optimise financial capital value while delivering value to stakeholders.

Rs. 2,108 Mn	40%	94%	Rs. 2.00
Equity	Increase in revenue	Increase in operational cost per Kg	Dividend per share

KEY STRATEGIES IN 2022/23

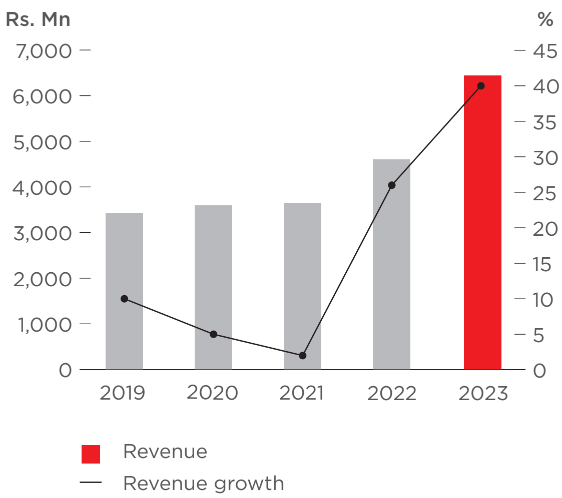
- Focus on cost efficiencies
- Revenue growth and market leadership
- Maintain sufficient liquidity buffers through detailed cash flow management

FINANCIAL PERFORMANCE

Revenue

Consolidated revenue of Rs 6,444 million with a growth of 40% was recorded during the year, despite the innumerable challenges that prevailed. Steep increase in inflation necessitated price increases which contributed significantly to top line growth whereas volumes declined across the industry. Market leadership was maintained through strategic focus drive on sales and distribution backed by emphasis on developing a diversified range of products and revamping existing products to ensure relevancy to customers' changing needs in a challenging economic environment. Consequently, the General Trade, Modern Trade and HoReCa channels recorded a net revenue growth of 32%, 47% and 33% respectively. The export segment also recorded strong topline growth of 152% with a revenue of Rs. 155 million reflecting the aggressive export growth strategy pursued by the Company.

REVENUE & GROWTH



Gross Profit

The Company recorded a total gross profit of Rs 1,386 million, an increase of 21% compared to previous year. Gross Profit margins deteriorated to 22% from 25% in 2021/22 reflecting the challenges in striking a balance between escalated costs, increase in prices, and resultant pressure on volumes.

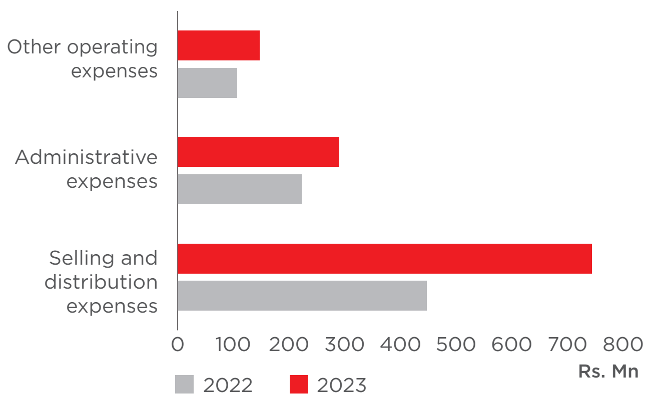
Gross margins were impacted by significant cost escalations in raw materials and packing materials, whilst operational costs noted a 94% increase, only a portion of this could be recouped by way of price increases. The key raw material costs such as chicken and pork noted unprecedented increases of 93% and 77% respectively, due to the unavailability of animal feed on the back of foreign exchange constraints. Procurement of imported casings and certain additives also proved challenging due to supply chain disruptions and import restrictions, which exerted pressure on both costs and stock holding. Utility and fuel rate hikes coupled with increases in various taxes also exacerbated the pressure on margins.

To address these challenges, several sourcing strategies were implemented including negotiations with suppliers for better pricing and developing local substitutes for imports. The company also placed emphasis on expense rationalisation and efficiency improvements to mitigate the impact of rising costs.

Operating Profitability

The operating profit for the year decreased by 42% to Rs. 230 million, compared to Rs. 395 million in the previous year. This decline was primarily attributed to an increase in operating expenses, including a 30% rise in administrative expenses due to higher remuneration and benefits for employees to assist them to manage inflationary pressures, and a 66% increase in selling and distribution costs due to fuel price hikes, vehicle maintenance costs, and increased resource allocation for advertising and business promotion across various channels. Other operating expenses increased by 39% primarily due to introduction of Social Security Contribution Levy and exchange losses recorded by the Company.

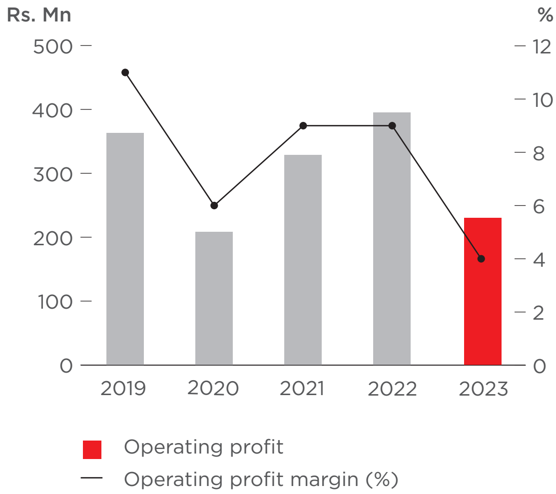
COST MANAGEMENT



Pre and Post Tax Profits

Consolidated finance costs increased to Rs. 172 million from Rs. 12 million recording a significant escalation from previous year as the Average Weighted Prime Lending Rate (AWPR) increased from 9.85% in March 2022 to 28.62% in November 2022, and then gradually declining to 21.4% by March 2023. Devaluation of the Rupee, foreign currency liquidity constraints and holding buffer stock to manage supply chain disruptions resulted in a significant increase of working capital value and cycle time which increased the finance cost of the company. Accordingly, Profits Before Tax declined by 82% to Rs. 69 million during the year as a result of aforementioned higher operational costs and increased finance costs. The effective corporate tax rate increased sharply to 80% from 15% of 2021/22 as a result of a one-off deferred tax adjustment amounting to Rs.45 million, which was warranted due to the change in the Manufacturer's income tax rate from 18% to 30%. Accordingly, Profits After Tax declined to Rs. 14 million during the year reflecting unprecedented challenges that was faced by the business.

PROFIT AND PROFITABILITY TREND

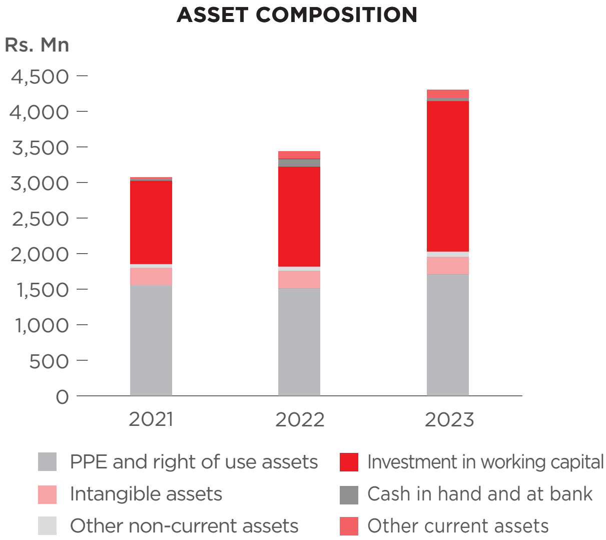


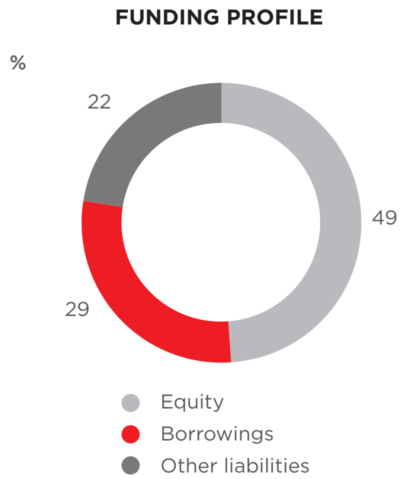
FINANCIAL POSITION AND STABILITY

Assets

During the year, the group's total assets increased by 25% to Rs. 4,303 million, mainly due to the expansion of current assets and capital expenditure. The working capital cycles were extended due to higher inventory holdings and a reduction in credit periods. Inventories increased by 104% to Rs. 1,194 million, and the value of stocks also increased due to Rupee devaluation and inflationary pressures. Our debtors' balances increased as a result of the turnover growth, along with additional credit facilities given to support distributors during a period of cashflow stress. This resulted in a 9% increase in accounts receivable to Rs. 657 million. Accordingly, investment in current assets increased by 40% to Rs. 2,275 million at year-end, accounting for 53% of total assets.

FINANCIAL CAPITAL





Equity & Liabilities

With an equity base of Rs. 2,108 million supporting 49% of the Group's total assets, the company's financial position and funding profile remained stable. Equity decreased by 4% due to the decline in profits for the year and Surchage tax payment of Rs. 96 million.

Trade Payables increased significantly during the first quarter to manage supply disruptions and supplier concerns regarding credit risk as the country worked through a period with economic and political instability. Where to the volatiles were reduced to manageable levels in the second and third quarters. Accordingly, by year end, trade payables amounted to Rs. 265 million, a decrease of 25% over the previous year, reflecting both lower volumes and normalisation of supplier credit terms. The Group's reliance on overdrafts to meet its enhanced working capital requirements contributed to a 374% rise in its exposure to short term borrowings during the year. The Group's gearing ratio climbed to 58% compared to last year's 15%, where entire Group borrowings are short-term.

Cashflow

As described above, the Group's cashflow cycles went through significant challenges during the year, expanding notably in the first two quarter and improved thereafter with supplier credit, supply chain disruptions and foreign exchange liquidity started to normalise. Cash generated from operations declined to negative Rs. 277 million from a positive Rs. 476 million last year as the Group invested Rs. 712 million additionally on working capital requirements due to the volatility in the economy.

Finance cost of Rs. 172 million, corporate tax payments of Rs. 82 million, Social Security Contribution Levy of Rs. 71 million and Surcharge Tax of Rs. 96 million further impacted the cash inflow from operations. Investments in capital expenditure amounted to Rs. 292 million while financing cashflows amounted to Rs. 72 million due to dividend payments of Rs. 51 million and net repayment of borrowings of Rs. 18 million. Resultantly, the Group's net change in cash and cash equivalents recorded a decline of Rs. 977 million which was funded by Bank overdraft which increased from Rs. 245 million in the previous year to Rs. 1,163 million at the close of the year. The Group implemented various measures to mitigate the adverse effects on cashflows, which included curtailing capital expenditure and conducting weekly reviews of cashflow. Additionally, the Group was able to secure preferential lending rates and enhance its short-term facilities by establishing strong relationships with the banks.

Shareholder Return

Shareholder Return Metric	2023	2022
Earnings per share (Rs.)	**0.55**	12.92
Dividend per share (Rs.)	**2.00**	9.50
Net asset value per share (Rs.)	**82.68**	85.99
Return on equity (%)	**0.65**	15.44
Closing share price (Rs.)	**160.00**	166.25

Value to shareholders was impacted given the challenging operating environment. Earnings per share decreased to Rs. 0.55 from Rs. 12.92, while dividend per share also decreased to Rs. 2.00. Meanwhile, net asset value per share decreased by 4% to Rs. 82.68 by end of March, 2023.

MANUFACTURED CAPITAL

The Group relies on its manufactured capital as an essential component of the value creation process, enabling it to produce portfolio of high-quality products meeting the industry standards.

PPE 40%
of total assets

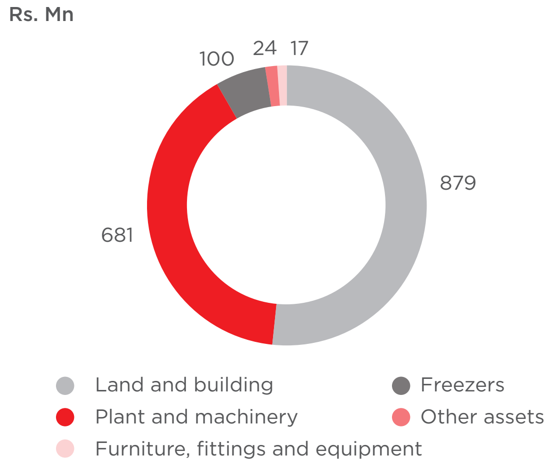
64%
Capacity utilization

KEY STRATEGIES IN 2022/23

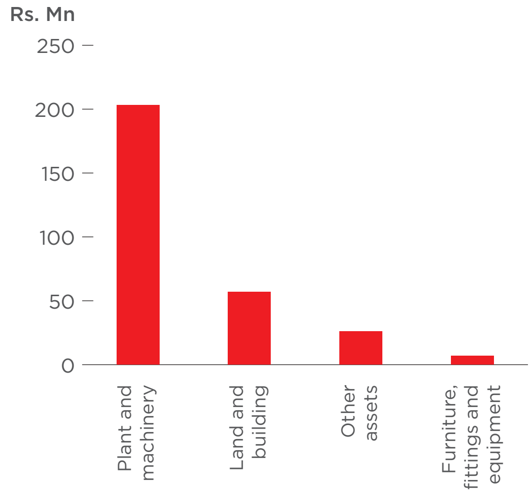
Investment in CAPEX of Rs. 292 million for machinery upgrades

Efficiency improvement and cost optimisation by moving into in-house operations for key processes

PROPERTY, PLANT & EQUIPMENT (PPE)



CAPITAL EXPENDITURE DURING THE YEAR



MANUFACTURING CAPABILITIES

KFP's manufacturing infrastructure, which accounts for 40% of the overall asset base, primarily consists of cutting-edge machinery and equipment incorporating the latest technological advancements and innovative features. Production capabilities are designed with R&D facilities and quality control infrastructures to ensure conformity with industry standards and certifications. The continuous improvements in the manufacturing capabilities have allowed KFP to create agile production lines with fast responsive times to cater to the emerging needs of the market.

An overview of the Group's manufactured capital is given below:

FACILITY	PANNALA	PANNALA DRY PLANT	JA-ELA: PLANT 1
Description	Manufacturing a range of chicken and fish-based products	Manufacturing of dry products	Crumbed range of products including formed meat, chinese rolls, toppings and sauces
Capacity	Annual capacity over 5,000 MT	Annual capacity over 500 MT	Annual capacity over 1,000 MT

MANUFACTURED CAPITAL

FACILITY	JA-ELA: PLANT 2	QUALITY ASSURANCE LABORATORY	R&D LAB (TEST KITCHEN)
Description	Manufacture of the Elephant House range of processed meats and value-added raw meats	Assures manufacturing quality in conformity with certifications and standards.	R&D facility outfitted with cutting-edge food technology that is used to develop, test, and analyze recipes.
Capacity	Annual capacity over 1,000 MT		
Certifications and standards	ISO 22000: 2018 Food Safety Management ISO 9001: 2015 Quality Management ISO 45001:2018 Occupational Health and Safety Halal certified as per the Halal Accreditation Council SLS 1218 and SLS 1146 Product Quality and Safety Standards		

CAPITAL EXPENDITURE IN 2022/23

Due to the cash flow pressure created by supply chain disruptions and input cost escalations during the year, the Group focused on capital expenditure required to enhance production efficiencies and improved quality. Capital expenditure of Rs. 292 million was mainly directed towards the upgrade and maintenance of machinery to strengthen production efficiencies, being ready for the market demand dynamics and minimise bottlenecks. This has resulted in both energy savings and cost reductions.

Capex during the year consisted of the following:

- Rs. 30 million investment to upgrade the cold room warehousing facility.
- Rs. 25 million investment to upgrade the sausage processing plant.
- Rs. 12 million investment to modify the effluent treatment plants.
- Rs. 11 million investment on boiler steam line renovation

OPERATIONAL EXCELLENCE

During the year, focus has been placed on driving improvements in manufacturing efficiencies and transformative innovation to fulfil the Group's aspirations towards delivering high quality products with good taste. Nurturing a cost-conscious culture through ongoing awareness and training programmes has been a focused strategy to minimise waste across all manufacturing facilities. This led to enhanced productivity, generating sustainable improvements in cost management.

Following initiatives were implemented during the year to drive operational efficiency:

- Conversion of outsourced Soya and Spice mixing operations to in-house to improve product quality, reduce inventory, and increase operational flexibility.
- Implementation of SAP Batch Management System to improve product traceability of finished goods backed by with efficient stock management.
- Integration of Power BI tools for enhanced visibility with real time information for data driven decision making.
- Improvements in logistics through inventory control and fleet optimisation
- Improvements made to the cold storage and manufacturing processes to ensure the requisite temperature is maintained throughout the supply chain
- Packaging process improvements through investment in new packing machinery

WAY FORWARD

KFP remains committed to enhancing its manufacturing and R&D capabilities to continue meeting demand in the domestic market while exploring opportunities to grow export sales. Our priorities for next year include:

- Explore avenues for sustainable and innovative packaging options
- Develop strategic sourcing initiatives to ensure a sustainable supply chain
- Continuously improve manufacturing capabilities to drive quality and taste of the products
- Increase the supplier base to mitigate the supply chain risk and to get competitive advantage on pricing
- Entering into short to medium term contracts to secure the supply and the price and thereby make our products competitive in the market
- Exploring new distribution channels with value added products and features

INTELLECTUAL CAPITAL

The Group's intellectual capital, reinforced by a strong learning culture, tacit knowledge base, and innovation mindset, has played a crucial role in sustaining its competitive advantage. These attributes have allowed the Group to maintain its market leadership and resilience amidst challenges faced throughout the year. Leveraging its innovative capabilities, along with industry-leading systems and processes, the Group is able to deliver high-quality, value-added products that meet the emerging needs of its customers.

Rs.127 Mn
Revenue generated from new products

44 Mn
Savings from process improvements

12
Products in the pipeline

VALUE CREATION IN 2022/23

- Product innovations to diversify and revamp products
- Process innovations to drive productivity across our value chain
- Enhancing our brand reach

Ongoing compliance to **certificates, policies, and regulatory acts** to maintain industry best practices

Broad product range with **7 new recipes** introduced and **15 new products** launched

A TRUSTED BRAND

Keells Food Products (KFP) is a subsidiary of John Keells Group and is presently Sri Lanka's market leader in the processed meat industry. With an operation spanning over 41 years, KeellsKrest has been a driving force behind the success of the Sri Lankan processed meats industry. The KeellsKrest brand has been ranked as one of the top 100 brands in the country by Brand Finance Sri Lanka for 2022, while the KeellsKrest brand has an estimated worth of Rs. 1,127 million. The Elephant House brand, under which the Group markets its high-end offerings, is a trusted household name with a legendary taste and consistently atop consumer-ranking lists across the country. KFP benefits from its unique position in the Group, leveraging the strength of KeellsKrest and Elephant House Brands due to its prominent market position, widespread brand recognition, and devoted client base.

INTELLECTUAL CAPITAL

RECIPE LIBRARY

With over 500 established recipes, our extensive recipe library represents a substantial portion of our intellectual assets base and is a considerable competitive advantage. Throughout the years, we have been able to experiment with and improved our recipe collection to create a vast array of unique and tasty products to meet the broad and ever-changing demands of the customers. Being an industry pioneer, our recipe library also serves as a valuable platform for new product creation, increasing the likelihood of a positive reception in the marketplace. We have built brand loyalty and consumer confidence by strategically prioritising quality and innovation and investing in world-class capabilities. During the year under review, the Group formulated 35 new recipes of which 18 were tested and 07 were introduced to the market.

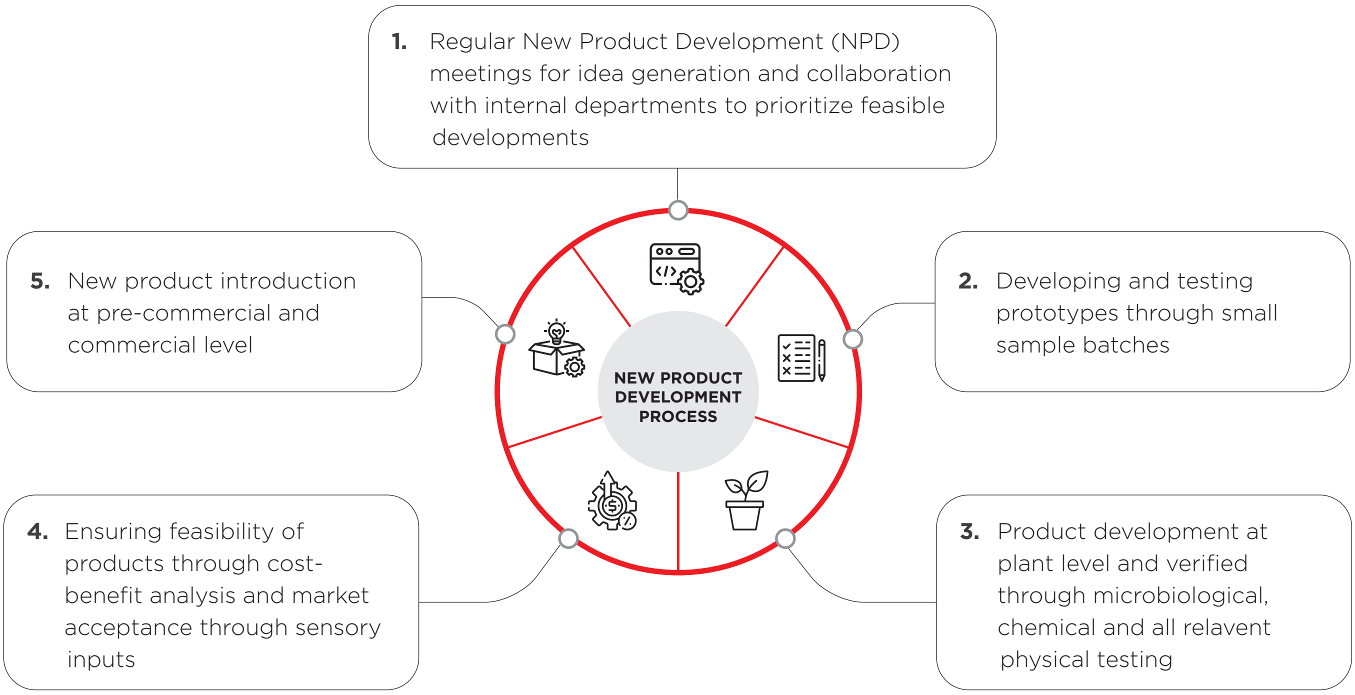
RESEARCH AND DEVELOPMENT CAPABILITIES

Innovation is vital in KFP's value creation process and is the driving force in developing new products suitable to stay competitive, meet changing consumer demand and improve food safety. The Research & Development team comprise of highly skilled and capable personnel who drive innovation in collaboration with key departments such as marketing, quality assurance and finance. The Group has invested over Rs. 18 million in Research & Development over the last 3 years resulting in 35 new product developments. The Group's commitment to quality is backed by a dedicated quality assurance laboratory and test kitchen, ensuring the highest levels of product quality, health and safety, and regulatory compliance.

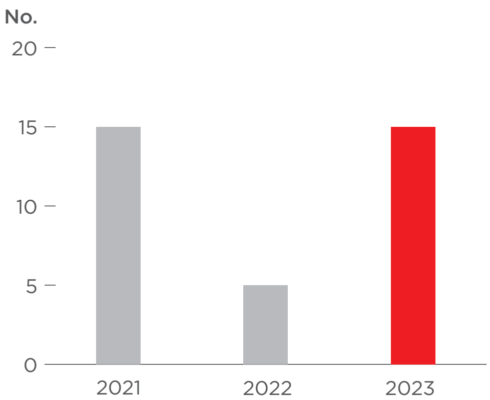
Key developments during the year:

- Expansion of the dry category to provide a wider range of ambient products to reduce reliance on cold storage.
- Strengthening of incoming material inspection for sourcing flexibility amidst supply chain disruptions.
- Development of new and revamped products to meet customers' preference for convenience, flavour and ease of preparation.
- Development of local materials as substitution for imported materials.
- Introduction of 15 new products including revamping of the Kiddies range.
- Enhancing the taste profile of the Dry range.

R&D PROCESS



NEW PRODUCTS LAUNCHED



+200
Recipes in processed meat range

+200
Recipes in crumbed meat range

+40
Recipes in dry range

SYSTEMS, STANDARDS AND PROCESSES

Customer health and safety is a key priority, and we comply with a range of certifications to ensure business operations are benchmarked against industry best practices. The certifications and accreditations we have obtained attest to our commitment to quality, safety, and the highest levels of product responsibility, all of which serve to fortify our internal operations. Over time these systems and processes have been honed and refined to reach optimum levels of productivity and efficiency. Key certifications and affiliations of KFP are listed below:

The Way We Work - Certifications, Policies and Regulatory Acts

Certifications	**ISO 9001:2015 –** Assurance on processes implemented for ensuring highest standard of quality across all operational aspects. **ISO 22000:2018 –** Assurance on the ability to control food safety hazards, ensuring suitability for human consumption **Halal Certification -** Attests that a product is manufactured in full compliance with Halal Accreditation Council (HAC) guidelines	**SLS 1218 -** Products quality and safety standards for comminuted meat products **SLS 1146 -** Products quality and safety standards for ham products
Policies	**KFP Quality Policy:** • Quality, safety, convenience, and nutrition • Timely delivery • Continuous improvement • Competency development	**KFP Food Safety Policy:** • Manufacturing facilities • Food safety practices • Employee training • Compliance
Regulatory Acts	• Consumer Affairs Authority Act No. 9 of 2003	• Food Act No. 26 of 1980

HUMAN CAPITAL

Our agile and motivated team of 543 employees rallied together to ensure business continuity, enabling shared value creation despite the challenging operating environment.

543	73%	83%	Rs. 7 Mn	15
Total employees	Permanent employees	Retention rate	Investment in training	Promotions during the year

KEY STRATEGIES IN 2022/23

- To attract and retain the right talent to grow our business
- To develop individuals in terms of competencies to deliver business excellence
- To create a great place to work supporting business excellence
- To improve emotional engagement

16%
Female representation with a targets to be at 40% by 2025/26

7,914 Hours
of training and development opportunities

MANAGEMENT APPROACH

The organisation has established comprehensive HR policies and procedures aligned with industry best practices to ensure equitable treatment of all employees. Additionally, the organisation is committed to avoiding child labor and forced labor practices, demonstrating ethical business practices and corporate social responsibility. These policies are periodically reviewed and revised in compliance with time relevant regulatory requirements and industry best practices.

Team profile

Our team comprises of 397 permanent employees and 146 contracted staff which comprises of a healthy mix of experience and youth, with 58% of employees being below the age of 40 years, with over 41% of employees have served the Group for 5 plus years. All employees are engaged on full-time basis . We are an equal opportunity company and seek to establish an atmosphere that does not discriminate against our employees based on their ethnic origin, religion, political affiliations, gender, marital status or physical disability.

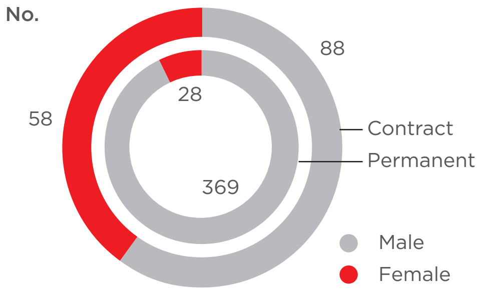
Relevant HR Policies

Recruitment Policy
Training & Development Policy
Equal Opportunity Policy
Non-Discrimination Policy

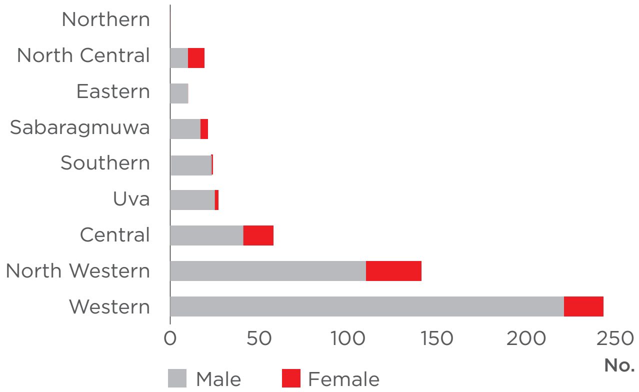
New Policies Introduced

Parental Leave Policy

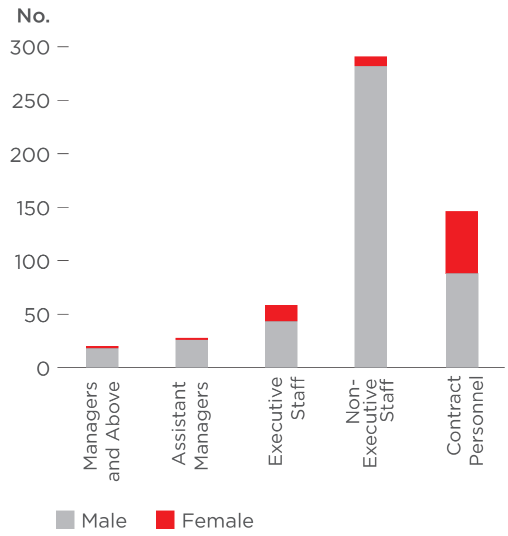
EMPLOYEES BY CONTRACT AND GENDER

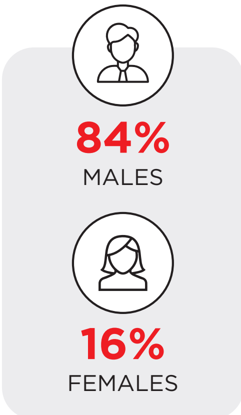


EMPLOYEES BY REGION AND GENDER



EMPLOYEES BY CATEGORY AND GENDER





38 Years
Average age of employees

35%
Trade Union representation

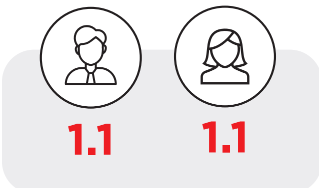
48%
Employees outside the Western Province

TALENT MOVEMENTS DURING 2022/2023

Talent Recruitment:
Our recruitment policy for talent acquisition ensures that recruitments are based on a person's knowledge, experience, and cultural fit. New recruitment during the year focused mainly on replacement hiring with 58 new employees filling vacancies caused by the prevalent talent migration in the country. The following initiatives were taken throughout the year to strengthen our sourcing strategy:

- Skill-fit Programme that develops executive-level competency to establish a talent pipeline.
- Collaborating with educational institutions and professional organisations to fill internship positions.
- Career drives to recruit entry level sales personnel
- Succession planning and career guidance to develop potential employees.

Talent Retention:
Attesting to the strength of our employee value proposition with a heritage spanning over 40 years, we maintain healthy retention levels. During the year our overall retention rate was 83% while retention of female employees was 92%. Due to natural attrition and talent migration in the country 90 employees exited the Company in the year under review.



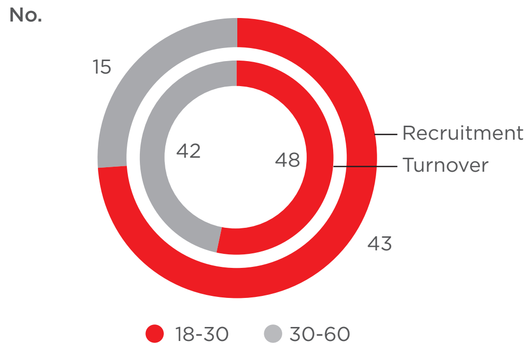
Standard entry level wage by gender compared to local minimum wage

30%
Senior Management hired from the local community

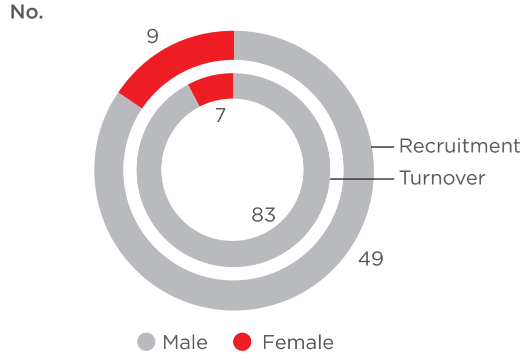
HUMAN CAPITAL

The movements in our team are presented graphically below:

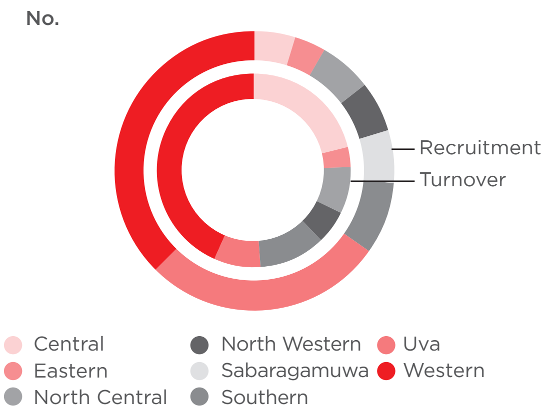
RECRUITMENT AND TURNOVER BY AGE GROUP



RECRUITMENT AND TURNOVER BY GENDER



RECRUITMENT AND TURNOVER BY REGION



HEALTH AND SAFETY

Due to the extensive manufacturing operations in our Group, safeguarding employee health and safety continue to be a strategic imperative. The Group has a comprehensive Occupational Health & Safety Policy that guides the organisation-wide health and safety initiatives covering all employees. Additionally, we have implemented ISO 45001:2018 Occupational Health and Safety Management System to further strengthen our internal processes. Risk assesments have been carried out to cover all critical opertions and site-specific risks while implementing preventive measures to mitigate potential risks. A Health and Safety Committee with a representative from each department meet on a regular basis to evaluate and improve existing health and safety systems.

Health and safety related benefits provided to employees include:

- Mandatory annual checkup for food handlers
- Visits from a doctor
- Medical insurance for both inpatient and outpatient departments

The Group's health and safety record for the year under review is given below.

Occupational injuries	7
Total No. of man days lost due to occupational injuries	31.5
Work related ill health	No incidents

HEALTH AND SAFETY TRAININGS

- First aid training
- Emergency response training
- Fire training
- Occupational Health & Safety general awareness
- GMP training
- ISO 22000:2018 Food Safety Management System Internal Auditor/Lead Auditor training

EMPLOYEE ENGAGEMENT AND WELL-BEING

As pandemic restrictions eased, the Company strengthened its employee engagement working with the event calendar scheduled for the year. Few activities conducted during the year are listed below:

Annual Family Get-together (Ja-ela) The Staff Family Get-together was held in February 2023 at Ekala Factory premises. **Annual Get-together (Pannala)** The Annual Get-together was held in January 2023 at Pannala factory premises where all staff members attended the event.	**Living Values Programme** Unique engagement initiative aimed at recognising and appreciating employees that demonstrate the core values of KFP in their daily activities. This was carried out through programmes such as: • Cheer the Peers • Values Story Board • Shine with Values Week • Values Quizmasters
Inter-department six-a-side cricket tournament was held at Pannala. The tournament was organized with the objective of strengthening employee engagement and enhancing motivation amongst the team.	The concept of Home Gardening was successfully executed at factory premises which can be used for production as raw material and to sell our employees at a nominal price.
Celebrated Women's Day with the participation of Female and Male work colleagues, strengthening the meaning of the #EmbraceEquity	A care package including an essential dry goods were distributed to employees including a company products to make their lives comfortable during this economic crisis situation.

Employee welfare and well-being was prioritized during the year with the following activities:

- Initiating psychological well-being with 'Savimath Manasak, Suwapath Diviyak' programme
- Provision of wholesome meal packs for pregnant women and care packages for employees
- Implementation of the home gardening project with produce sold to employees at concessionary prices
- Restructuring and modernising the workplace to enhance the overall atmosphere

The Group conducts employee satisfaction surveys covering 100% of employees. During the year, the Great Place To Work (GPTW) survey was conducted to assess the organisation's workplace culture. There was a significant improvement in the level of satisfaction with a 17% increase from the previous assessment. The survey covers the following criteria:

- Work environment
- Rewards and recognition
- Opportunities for training

85%
GPTW Survey Score

RELATIONSHIPS WITH TRADE UNIONS

We are cognisant of our employees' right for collective bargaining and 35% of our permanent employees are represented by trade-unions and covered by collective bargaining agreements with one trade union. Ongoing negotiations with trade unions were concluded and collective agreements were finalised and signed during the year. The Management maintains open dialogue with trade unions and two weeks notice period is provided prior to making any major operational changes. We continued to maintain proactive engagement with trade union representatives and there were no industrial level disputes recorded during the year.

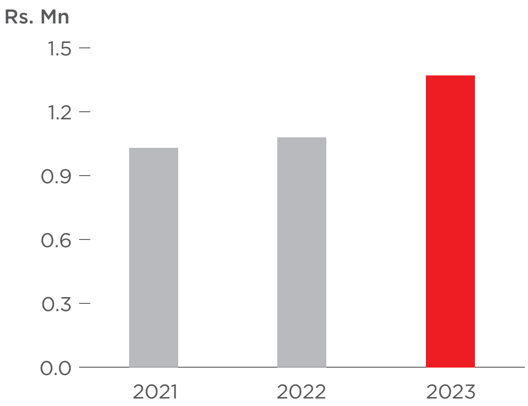
REMUNERATION AND BENEFITS

The Group's remuneration and benefits are designed to attract, reward and retain high performing individuals in order to nurture a performance-driven culture. We offer all employees competitive remuneration in line with industry standards and do not discriminate compensation based on gender. Despite the challenging operating environment, all employees were paid remuneration,

HUMAN CAPITAL

substantial increments and a one-off ex-gratia payment in April 2022 while executive staff were provided with a crisis allowance to help them cope with current levels of inflation. During the year, Rs 746 million was paid as remuneration to employees which is an increase of 21% when compared to the previous year.

REMUNERATION PER EMPLOYEE



Other benefits provided by the Company includes:

Performance Management

The Group's performance cycle enables the identification of high performers and setting of succession plans whilst simultaneously providing development and training to employees requiring support. In addition to the bi-annual formal feedback sessions of the Group's performance cycle, continuous performance management (CPM) enables supervisors and teams to convert objectives into activities and record progress and feedback on a continuous basis. A cloud based HRIS enables all performance appraisals and career committee reviews to be performed virtually. In order to facilitate comparative compensation benchmarks, the Group conducted its periodic compensation and benefits survey through assigned third party external benchmarking consultant organisations.

Employee recognition and rewards

We conduct a variety of employee recognition programmes to recognise and reward high-performing employees. The John Keells Group's BRAVO award system is designed to acknowledge individuals that go above and beyond in furthering the Group's strategic goals. Throughout the last year, we have recognised the outstanding contributions of 20 workers by presenting them with BRAVO certificates.

EMPLOYEE BENEFITS

MEDICAL	FINANCIAL	RETIREMENT	OTHER
• Medical insurance for both inpatient and OPD • Workmen's compensation for serious injury (non-executive) • Personal accident cover for executive employees	• Festival advances • Productivity and attendance incentives • Special allowances • Care package • Crisis allowance	• Contributions of 12% and 3% to EPF and ETF respectively • Retirement gratuity for employees with over 5 years of service	• Company products at discounted prices • Transportation for factory staff • Death donation scheme for non-executive and factory staff

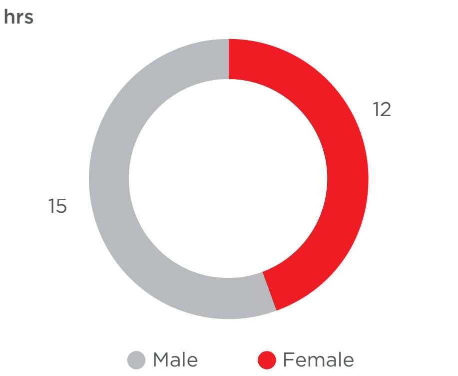
TRAINING AND DEVELOPMENT

KFP has established systematic learning and development interventions focused on developing and managing talent in a holistic and structured manner. Training needs are identified as part of the annual performance appraisal process and training programmes are designed in-house and with external partners for both personal and professional development. During the year, total investment in training amounted to Rs. 7 million while a total of 504 employees underwent 7,914 hours of training.

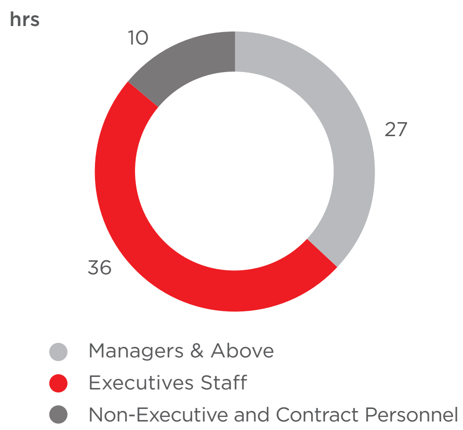
Key training programmes conducted during the year listed below:

- Sales Warriors training programme in partnership with SLIM
- DISC assessment for leadership team
- Outbound training for operations team
- TPM Practitioner Certificate Programme
- Relaunching the Core Values Programme
- Counselling and guidance
- HoReCa product training

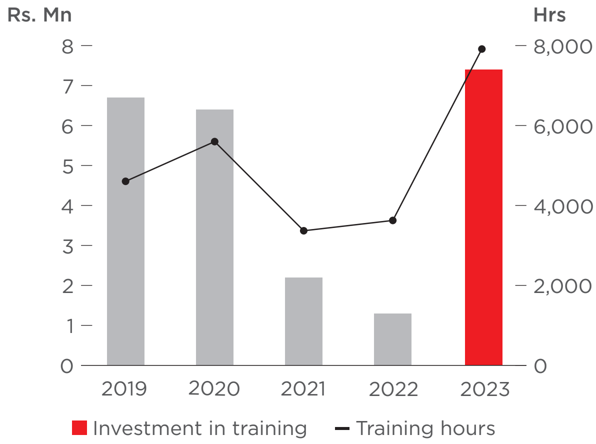
AVERAGE TRAINING HOURS BY GENDER



AVERAGE TRAINING HOURS BY CATEGORY



TRAINING & DEVELOPMENT



13%	86	16%
FEMALES PROMOTED	TOTAL FEMALE EMPLOYEES	FEMALES RECRUITED

DIVERSITY, EQUITY AND INCLUSION

We are an equal opportunity employer with policies and practices aligned with the JKH Group's ONE JKH Programme that is committed towards nurturing an inclusive workplace. Our dedication to inclusivity and diversity is ingrained in the HR processes that provide equal employment and remuneration for all employees, irrespective of their background. Employees are encouraged to report any incidents of discrimination and there were no reported incidents of discrimination during the year.

We are committed to advancing gender equality and enabling women to fulfil their full potential by creating an environment where they may thrive and maintain a healthy work-life balance. 'She Thinks' survey was conducted for all female employees and women centric training and development initiatives were designed accordingly. The Standard Operating Procedure for recruitment mandates shortlisting at least one female if there have been female applicants. We have created a female friendly work environment through the provision of day-care facilities for children and provision of hygiene products for female employees.

WAY FORWARD

The Group's HR priorities for 2023/24 will focus broadly on the following areas:

- Continue the Group's Diversity, Equity and Inclusion agenda, with concerted efforts to enhance female representation and offer a more conducive work environment for females
- Enhance employer branding to become one of the nation's most sought-after employer brands
- Strengthen employee recognition
- Continue focus on the Living Values programme
- Focus on retention of key talent
- Training and development that is required to work in the current market dynamics

SOCIAL AND RELATIONSHIP CAPITAL

Throughout the year, the Company continued to generate shared value for its customers, distributors and suppliers by proactively collaborating with its stakeholders to overcome the numerous challenges that emerged.

12
New suppliers

10
New distributors

Rs. 2.6 Mn
Investment in CSR

STRATEGIES IN 2022/23

- Growing the export market while serving existing customer base in the local market
- Product diversification to stay relevant to changing consumer preferences
- Collaborate with business partners to enhance value creation

Extensive market penetration with **55 distributors and +32,000 retail outlets**

Product diversification with **15 new products** introduced

CUSTOMERS

A history of trust and quality for over 41 years and a portfolio of over 200 items supports KFP's undisputed leadership of Sri Lanka's Sausages and Meatballs retail market. Driven by strategic marketing and positioning KFP has penetrated over 32,000 outlets across all the provinces. KFP's customer profile comprises of individuals, families, Hotels, Restaurants and Catering establishments. With 55 distributors catering to the local market and a growing portfolio curated to the evolving tastes of consumers, KFP is well-positioned to ensure a wide coverage of price points and value proposition, which include product availability, quality, trust, innovation and convenience.

MARKET LEADERSHIP

60%	42%
RETAIL SAUSAGES	MEATBALLS

CUSTOMER VALUE CREATION

Despite the unpredictable operating environment and the supply challenges that prevailed during the year, KFP continued to foster its relationships with customers by offering a broad selection of high-quality products. Our production process is governed by stringent quality control procedures and utilises cutting-edge technology to ensure the superiority of the end-product. While fluctuations in prices and availability of meat such as chicken and pork disrupted the consumer market, consistent availability of processed meat allowed consumers to maintain their protein consumption. KFP continued to adapt its product offerings to be relevant to consumers' changing requirements by introducing new products and relaunching existing items.

Our overarching customer strategy for the year is highlighted below:

AGILITY AND ADAPTABILITY THROUGH INNOVATION

The Group's R&D capabilities have allowed it to reliably innovate and bring to market a wide range of items that are relevant to the present market circumstances. A range of easy to cook items were introduced to appeal to the growing trend of in-home consumption.

New product launches during the year:

- The launch of KeellsKrest Maalu curry
- Revamped product formulation to introduce KeellsKrest Nai Miris Chicken Sausages
- Introduction of Crispy Chicken range to the retail market

VARIETY AND AFFORDABILITY

For quality and price-conscious consumers, compelling product propositions provided a variety of flavours at various price points.

- Expansion of the ambient range of items to minimise reliance on cold storage
- Key products such as skinless sausages introduced in affordable 325g and 350g packs in the KeellsKrest range
- Revamp of KeellsKrest Frankie sausages for children
- Introduction of key Elephant House products in affordable pack sizes of 500g

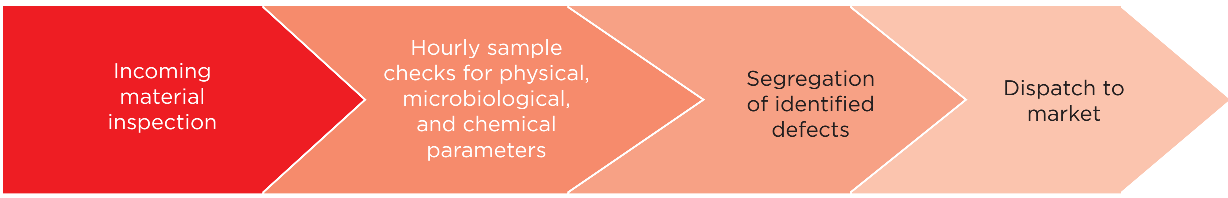
AVAILABILITY

- Sought increased penetration through the General Trade channel
- Leveraging valuable data insights obtained from the Distributor Management System (Surge)
- KFP expanded it's customer base by introducing the "Meat House" online store by offering a wide range of premium quality meat products to the consumers' door-step at no added cost

QUALITY AND TRUST

The Group strives to maintain the highest quality standards attributing to stringent internal policies on food quality and safety and conform to a range of certifications.

- Continued compliance with ISO 22000:2018, ISO 9001:2015, SLS 1218, SLS 1146 and Halal certification
- Emphasis on maintaining health and nutrition standards
- Rigorous quality checks to ensure health and safety impacts of products as illustrated below:



SOCIAL AND RELATIONSHIP CAPITAL

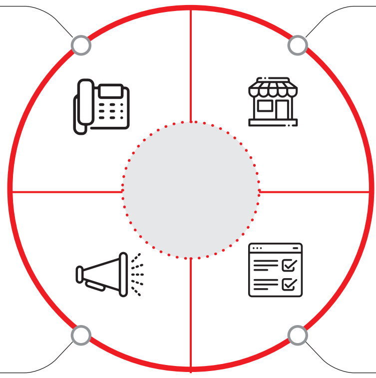
CUSTOMER ENGAGEMENT

KFP operates multiple communication platforms to enhance the quality and frequency of customer engagement.

COMMUNICATION PLATFORMS

CUSTOMER HOTLINE
- 100% customer complaints resolved

CUSTOMER TOUCHPOINTS
- 55 Distributors
- +32,000 Retail outlets



CUSTOMER REACH
- 1 million customer touch points through activations
- Rs. 25 million investment in ATL advertisements

DIGITAL INTERACTION
- 3 social media platforms

Across its many customer touchpoints, KFP has integrated a number of tools to monitor customer satisfaction and anticipate their changing demands. Throughout the course of the year, new customer activations were facilitated as a result of persistent customer trials. A dedicated customer service hotline ensures customer complaints are received and resolved within 48 hours. Customer complaints are categorized as serious, major and minor complaints, and during the year there were no serious complaints and only 1 major complaint was received and, all complains received were resolved promptly.

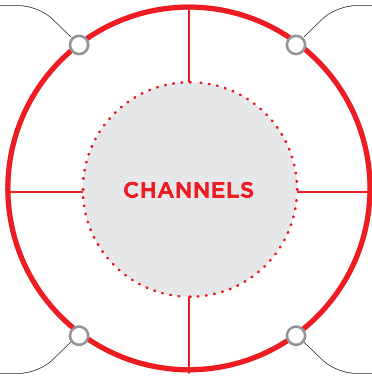
Our product marketing and labeling is regulated by the Food Act No.26 of 1980, Food (labelling and advertising) Regulations 2005 and the Consumer Affairs Authority Act No.9 of 2003. Our marketing communications are also guided by the ICC Code of Advertising and Marketing Communications- a self-regulatory framework which promotes high standards of ethics in advertising.

Our product labels include information pertaining to the product, date of manufacture, expiry date, weight and ingredients, among others. During the year, there were no instances of non-compliance in relation to any regulations/ voluntary codes on product and service labelling, marketing communications and data privacy breaches among others.

CHANNEL PARTNERS

KFP leverages its multi-channel distribution strategy in ensuing continued product availability in General Trade, Modern Trade, Hotels and HoReCa channels. The recent strategic focus on expanding the General Trade and Modern Trade channels resulted in extension of our network coverage to approximately 95% of the country. Retaining market share in these channels through product diversification to maintain product relevance was a main priority given the volatility in consumer sentiments. The revival of the tourism industry enabled an increase in penetration in the South and East of the country through the Hotels and HoReCa channels. Exports experienced strong growth in volume of 49% as a result of the Group's efforts to expand into new international markets such as the Middle East and Australia.

KFP's multi-channel distribution strategy facilitates islandwide availability of our products, ensuring that variability in demand across channels are managed effectively. The four main channels, General Trade, Modern Trade, HoReCa and Hotels account for the bulk of the distribution. It was encouraging to note the doubling of export volumes despite its low base, reflecting the potential for growth.



GENERAL TRADE

- In the run up to the Sinhala & Tamil New Year, the prices of 20 high volume products were reduced to pass down the benefit of cost reductions to customers.
- Introduced smaller pack sizes to support affordability and penetration
- Distributors were challenged with high-interest costs and rising operations costs

MODERN TRADE

- KFP investments into consumer promotions were ramped up to pass the price reduction benefit to the consumers
- Elephant House 500g range was introduced to improve affordability
- The new product Crispy chicken enjoyed a promising trial phase during February and March

HORECA

- The 1Kg Chicken Bockwurst was improved and the number of sticks per pack was increased from 13 to 15

HOTELS

- The Hotels channel recorded positive volume growth as domestic and foreign tourism picked up

Distributor Value Creation

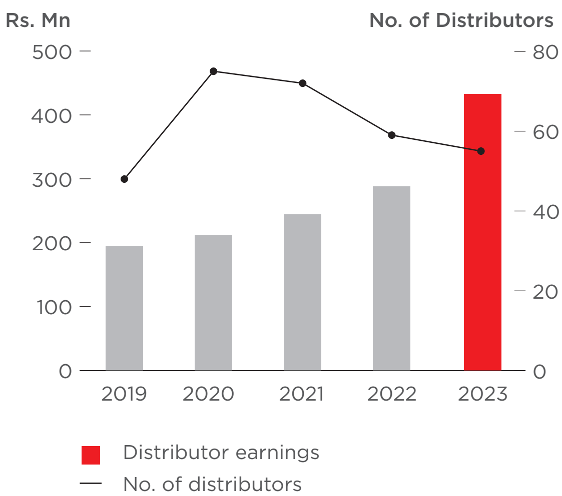
We have valuable 55 distributors who distribute our products Island wide.

The Group implemented a number of initiatives to support its distributors through the economic challenges during the year by extending credit, sharing market insights and facilitating process improvements to minimise the cost of distribution.

Key developments during the year include the following:

- Monitoring Distributor's profitability on a monthly basis to analyse cost drivers and increase operational efficiency
- Extending credit on a case-by-case basis with close monitoring by the finance and sales teams
- Installation of temperature monitoring system to help distributors maintain optimum temperatures suitable for the quality of frozen goods
- Installation of GPS trackers for real time fleet management to improve efficiency and reduce delivery times
- Compensation of operational expenses to ensure distributor profitability
- Order placement and scheduling assistance to ensure optimal capacity utilisation of distributor lorries and maintenance of healthy inventory levels.

DISTRIBUTOR EARNINGS



SOCIAL AND RELATIONSHIP CAPITAL

SUPPLIERS

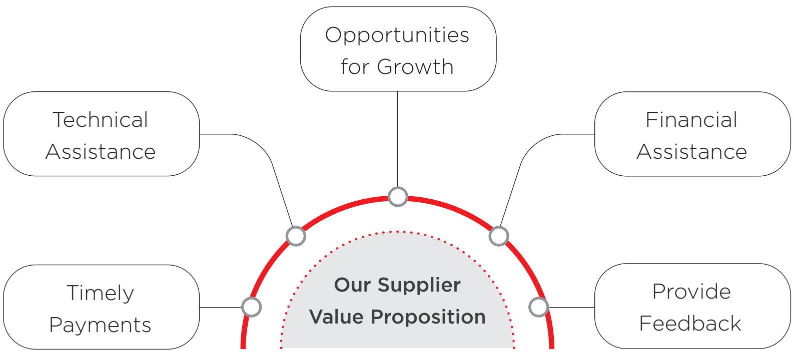
We strive to maintain mutually beneficial ties with our supplier base and to establish long-term collaborations to ensure operational stability and continuity. Having a pool of reliable network of suppliers was a critical factor in ensuring sufficient raw material availability throughout the year. Approximately 83% of the Group's raw and packing materials are purchased from local suppliers contributing to the social economic development of the country. Our supply chain consists of a 2-tiered structure where farmers and out-growers are classified into Tier 1 suppliers (corporates and large-scale farmers) and Tier II suppliers (small scale farmers and out-growers). We are mindful of our impact in aiding the growth of small and medium-sized suppliers and strive to maintain a steady demand for their products, offer competitive pricing, and provide opportunities to increase their production capacity. During the year, supply chain disruptions, both domestic and foreign, remained a major constraint in maintaining a steady supply of inputs. Import restrictions imposed by the government to manage the foreign exchange liquidity crisis impacted imports of critical materials, necessitating the increase of inventory held to prevent production interruptions.

27 Pork Suppliers
10 Poultry Suppliers
3 Vegetable Suppliers
4 Spice Suppliers
Rs. 5,737 Mn Payments to Suppliers

Quality Across the Supply Chain

We follow stringent guidelines in supplier selection to ensure the quality of raw materials is maintained and require suppliers to comply with a range of certifications. Regular supplier audits are carried out to ensure compliance with all applicable criteria which includes the social and environmental criteria . During the year under review, we screened 12 new suppliers and conducted 48 audits for existing suppliers and not found any instance of non-compliance.

Our approach to procurement is designed to create shared and sustainable value for our suppliers that extends beyond transaction-based purchasing. The supplier value proposition is illustrated in the diagram below.



Supplier Assessment Criteria:

- Certifications including ISO 22000:2018, ISO 9000:2015, SLS 1218, SLS 1146 and the Halal Certification
- Product specification and quality
- Timeliness of delivery
- Zero use of child labour/forced labour
- Environmental assessment including CEA certifications

INDUSTRY PARTNERSHIPS

KFP engages in collaborative efforts with numerous external institutions concerning issues and concerns that affect the industry's progress through its memberships in industry associations.

Membership Associations

- Ceylon Chamber of Commerce
- Ceylon National Chamber of Industries
- National Chamber of Commerce
- National Chamber of Exports
- Export Development Board
- Employer's Federation of Ceylon

COMMUNITY

The Group's approach to community engagement and CSR is aligned to its parent entity John Keells Holdings, which focuses on driving meaningful change to uplift vulnerable segments of society across the nation. A structured mechanism is in place to select CSR initiatives in collaboration with Group companies based on the collective vision of 'Empowering the Nation for Tomorrow'. We have focused our efforts on the localities surrounding our operations to support the neighbouring communities.

Initiatives by KFP during the year include the following:

English Language Scholarship Programme (JKELSP) with John Keells Foundation
This curriculum, implemented in collaboration with Gateway Language Centre, enables underprivileged school children to improve their English communication skills in order to further their higher education and career prospects.

5 schools in Ja-Ela and 2 schools in Pannala
A total of 119 students registered
Volunteer hours – 20

Higher Education Scholarship Programme (JKELSP) with John Keells Foundation
The project provides financial assistance to Advanced Level students and university undergraduates from underprivileged backgrounds in Pannala area enabling them to successfully complete their higher education.

Number of students benefited - 12
Volunteer hours – 10

Digital Learning Initiative with John Keells Foundation
This programme facilitates online learning for economically disadvantaged school children in Ja-ela area with the provision of tabs and data packages. In addition, the students' educational progress is monitored throughout the programme.

Number of students benefited - 49
Volunteer hours – 16

Mental Health Development Programme at G.B. Senanayake Vidyalaya, Ja-Ela
This initiative promoted the importance of mental wellness among school children. Additionally, parents and teachers were educated on their role in assisting children to maintain a state of good mental health by encouraging their creativity and learning.

Number of beneficiaries - 850
Volunteer hours – 25

Partnership for Providing Seeds and Fertilizer to Local Farmers
This programme in colloboration with Divisional Secretarial Office in Ja-ela and John Keells Foundation assists low-income households in starting vegetable gardens in their communities to provide a continual supply of fruits and vegetables to meet their daily requirements.

Number of beneficiaries - 57
Volunteer hours – 15

WAY FORWARD

As economic reforms and policy changes come into effect, we remain optimistic about the future of the processed meat industry and continue to focus on leveraging our R&D capabilities to offer an enhanced value proposition to customers and supply chain partners.

- Enhance product range through flavour offerings and ready-to-cook convenience foods
- Expand penetration to the Middle Eastern and other export markets
- Continue closer monitoring of distributor's profitability to analyse cost drivers and increase operational efficiency.
- Planning to drive Soya range through cost optimisation and distribution enhancements.
- Exploring new distribution channels to reach different customer segments with more customized and value-added products and features.
- Continue to develop new suppliers, farmers to secure the supply chain and to get the competitive pricing

NATURAL CAPITAL

Being a Company with a significant manufacturing footprint and a broad value chain, we are deeply committed to reduce our environmental footprint. We continue to focus efforts towards optimising the use of natural resources through constant monitoring and process innovations to optimise energy, water, carbon footprint and being responsible for our waste.

4%
Reduction in carbon footprint

226 kwh
Solar power energy generation

Rs. 44 Mn
Cost saving

134,828 kwh
Reduction in electricity consumption

KEY STRATEGIES IN 2022/23

- Elevate environmental commitment through ISO 14001:2015 implementation
- Increase efficiency through equipment upgrades and processes changes
- Continual monitoring and increased employee awareness to minimise wastage

67.48 Tons of CO_2 emission saved, equivalent to planting **3,374 trees**.

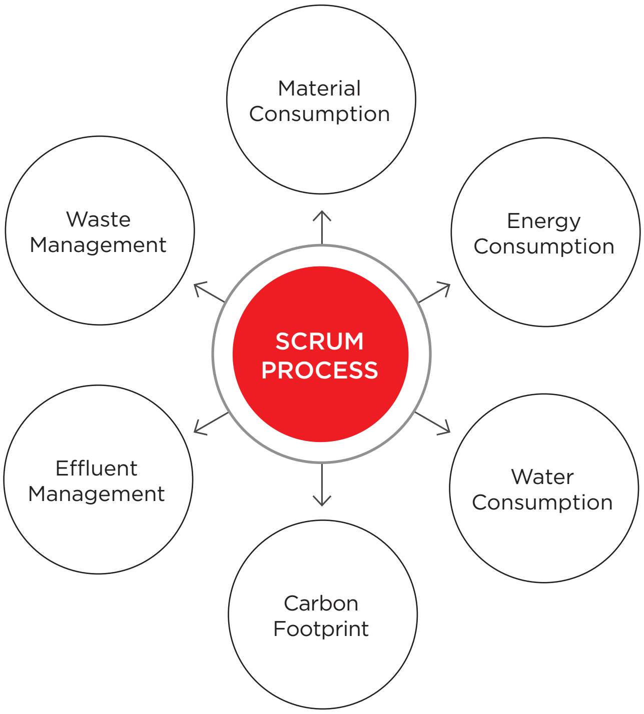
Over 29.8 million
Litres of water treated for the year

MANAGING OUR ENVIRONMENTAL IMPACT

KFP's environmental management strategy is consistent with that of John Keells Holdings, which develops Group-wide environmental objectives and includes an approved policy framework for its sustainability agenda. Environment-related issues are monitored through frequent reporting to the Senior Management and Board of Directors and managed consistently through well-defined processes and procedures. As shown below, KFP has established targets for generating persistent reductions in its environmental impacts in line with the John Keells Group's long-term environmental ambitions.

Environmental Targets for 2025

- **1.5%** Reduction in Water Intensity
- **1.5%** Reduction in Energy Intensity
- **1%** Reduction in Carbon Footprint



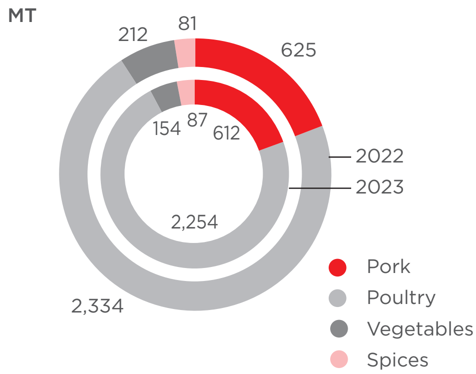
ENVIRONMENTAL COMPLIANCE

The Environmental Protection License assures that all our manufacturing facilities adhere to the strict environmental requirements set by the Central Environmental Authority. To strengthen our commitment towards sustainable business practices, the Company is in the process of obtaining ISO 14001:2015 Environmental Management System. Internal standards in place are reviewed annually through internal audits and compliance reporting. During the year under review, there were no instances of non-compliance with environmental regulations and/ or voluntary standards.

Materials

The primary raw materials used in our manufacturing process comprise of poultry, pork, vegetables, spices and other additives. These key materials are natural resources that can be replenished over time, and we are conscientious about acquiring materials from reputable suppliers that adhere to our environmental standards. As detailed in the Social and Relationship Capital, suppliers are required to obtain certifications to ensure environmental consciousness is propagated across the supply chain. In addition, we have collaborated with Island Climate Initiative (ICI), to investigate alternative, environmentally friendly options to minimise polythene usage in our packaging.

RAW MATERIAL CONSUMPTION



Energy

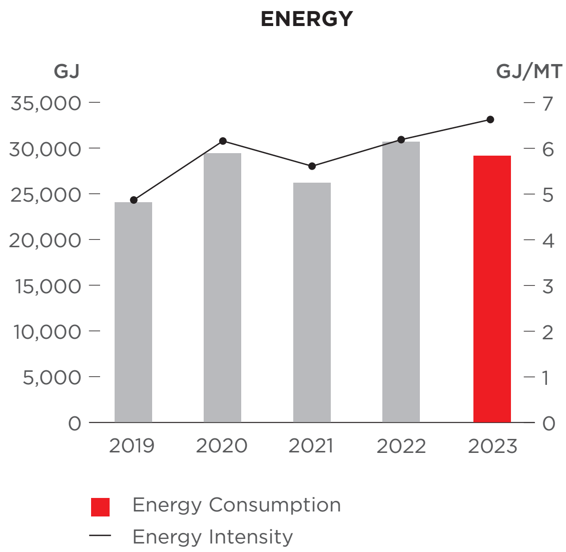
Although our manufacturing process is relatively energy intensive, usage of non-renewable energy consistently monitored to manage the consumption. The main sources of energy in our operations are furnace oil, diesel, LP gas and electricity. For the year under review, our energy consumption decreased by 4%, and the energy intensity increased by 7% due to the increase in fuel consumption in generators. However, route and capacity optimisation strategies applied through centralised monitoring resulted in 21% coupled with reduction in volume and diesel consumption in primary distribution vehicles during the year. In line with the Group's aspirations to reduce energy intensity by 1.5% by 2025, we have implemented the following energy-saving initiatives:

- Solar power generation at the Ja-Ela factory with savings of Rs. 2.4 million during the year
- Installation of energy meters for critical operations in the factory to monitor energy consumption
- Diesel probe metres and GPS tracking devices installed in distribution vehicles to ensure route optimisation
- Enhanced the efficiency of the boiler operation and the steam line
- Improved energy monitoring in the factories with the installation of steam flow and diesel flow meters.
- Utilising energy-efficient technology in the Ekala facility and limiting the use of cold room facilities based on necessity
- State-of-the-art non-chemical anti-scale technology used to improve the quality of boiler feed water
- Efficiency enhancement of the boiler operation and steam line by implementing necessary improvements

NATURAL CAPITAL

Energy Consumption

	2023	2022	Change y-o-y
Furnace oil (Litres)	**224,287**	231,223	-3%
Diesel (Litres)	**86,040**	79,359	8%
Electricity (kwh)	**5,685,864**	5,820,692	-2%
LPG (KG)	**2,701**	4,013	-33%
Total energy consumption (GJ)	**29,511**	30,650	-4%

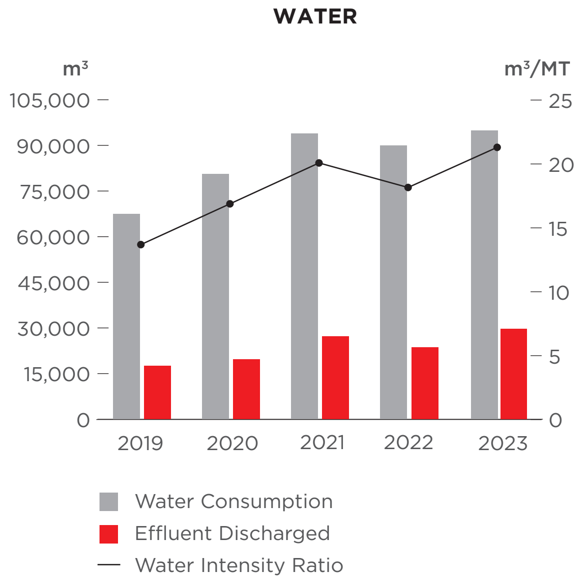


Water

Usage of water is a crucial aspect of the food processing industry given the high standards of hygiene and cleanliness required in the production process. We rely substantially on water for cleaning, sanitation, processing, cooling, and heating, among other operations. We primarily obtain water through ground water sources and continual efforts are made to ensure that water consumption is optimal and does not lead to water stress in the region. We reinforce the importance of conserving water by creating employee awareness on the impact of water overuse on the surrounding communities. Initiatives taken for water conservation during the year include:

- Investment in water treatment facility at Ja-ela during the year
- Water consumption audit conducted in the Ekala Plant to identify opportunities to reduce water usage
- Usage of ground recycled water for the Model Garden and Cultivation project.

Water withdrawal by source	
Ground water	94,832 m^3
Municipal lines	-
Recycled water	-
Total water withdrawal	94,832 m^3

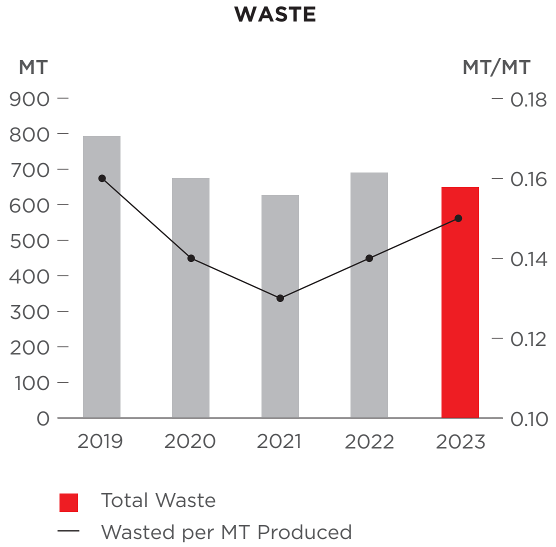


Waste and Effluents

Food processing generates a significant amount of wastewater, which must be treated before discharge to meet regulatory standards specified by the Central Environmental Authority. We continuously monitor the quality of water discharged to minimise harmful effects of wastewater on the ecosystem. In the Ja-Ela plant, water discharge is tested to ensure that it complies with mandatory water quality standards prior to being transferred to the sewage pipes for disposal. In the Pannala plant, water discharge is treated at the Effluent Treatment Plant and then reused for gardening and cleaning.

- During the year, 31% of water consumed was recycled and re-used.
- The Group has invested Rs. 12 million in the Ja-ela facility to upgrade the effluent treatment facility and the sewerage line.

As a by product of the manufacturing process, the factories produce various forms of solid waste. We actively engage in recycling, reusing resources, and promoting efficient material usage through systematic mechanisms in place for the collection and disposal of such waste. The Group has invested in improving effluent treatment plant and sewage line. Organic waste is incinerated at our factory to minimise hazards and reduce landfill waste. KFP is also a part of John Keells Group's Plastic recycling initiative, Plastic-Cycle which aims to drive reductions in plastic waste.



Total Waste Generated	**650 MT**
Recycled and Reused waste	**42.5%**
Land filling waste	**0 %**
Wastewater discharged	**76,093 m³**
Ground water discharged	**39%**
Municipal line water discharged	**61%**
Wastewater internally treated	**29,756 m³**

Organic Waste: Meat and vegetables of 374 Tons	Incinerated at the Group's own incineration facility
Packaging Waste: 21 Tons **Sediments:** 255 Tons	Sent to 3rd Party recyclers

Carbon Footprint

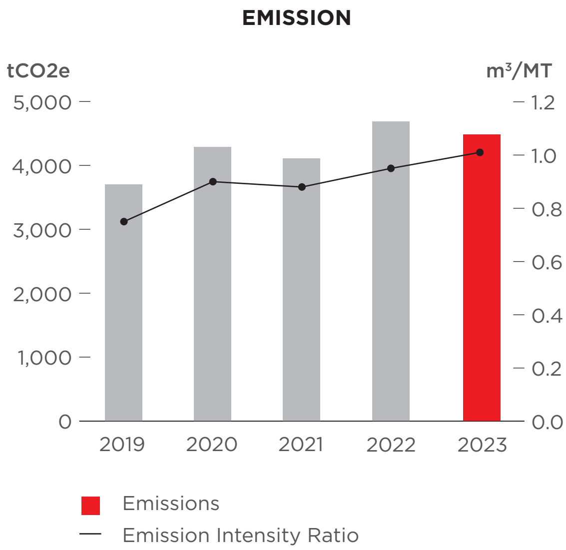
KFP is committed to achieving long-term reductions in its carbon footprint and has aligned its ambitions with the Group's target of reducing emission intensity by 1% by 2025. Our approach focuses on lowering our environmental impact gradually by expanding our reliance on renewable energy through solar power generation and enhancing energy efficient production. Considering that 90% of the Group's emissions arise from electricity, we anticipate this will support our goal of lowering emissions and contributing towards mitigating the impact of food production on climate change. Emission levels in the factories are tested by 3rd party institutions such as ITI and NAITA to ensure emission standards are maintained and no substantial air emissions in the form of Nitrogen oxides (NOx), Sulfur oxides (SOx), and other noteworthy air emissions were detected. Efficient capacity utilisation of primary distribution vehicles has led to a 4.4% reduction in emissions. Followings investments were made on energy savings projects

- Reinstalling the Steam line,
- Overhauling the boiler,
- Modification of compressors to Improve the performance of high energy consuming units

Scope 1	Direct emissions	**755**
Scope 2	Emissions from purchased energy	**3,726**
Scope 3*	Other indirect emissions	**1,076**

* Includes only the emissions from Company's distribution & re-distribution and business air travel

Carbon Footprint of Ozone Depleting Sources (MT)	**2,031**



WAY FORWARD

In order to meet the environmental targets established for 2025, the Group intends to prioritise the following short-to-medium-term initiatives.

- Completion of the ISO 14001: 2015 Environment Management certification process.
- Investment towards Capacity bank & Bio-mass project

CORPORATE GOVERNANCE

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

Visit www.keellsfoods.com for the detailed Corporate Governance Commentary.

EXECUTIVE SUMMARY

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

Keells Food Products PLC (KFP or Company) and its Subsidiary John Keells Foods India (Private) Limited (collectively KFP Group) as members of the John Keells Group have their own set of internal policies, processes and structures, aimed at meeting and in many instances, exceeding accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect evolving regulations, global best practice and dynamic stakeholder needs, whilst maintaining its foundational principles of accountability, participation, integrity and transparency.

The ensuing discussion comprises of the following key aspects:

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

COMPLIANCE SUMMARY

Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 and regulations	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions - fully compliant
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars	Mandatory provisions - fully compliant
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	Mandatory provisions - fully compliant
Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - compliant with the 2017 code to the extent of business exigency and as applicable to the KFP Group

KEY INTERNAL POLICIES

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies on diversity, equity and inclusion including gender
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and FX risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group environmental and economic policies
- Whistleblower policy
- Policies on energy, emissions, water and waste management
- Policies on products and services
- Policy on bidding for contracts, including on government contracts

KEY GOVERNANCE HIGHLIGHTS FOR 2022/23

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

Policy for bidding on contracts and tenders

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

CORPORATE GOVERNANCE

- During the year under review, the Group further strengthened its Policy on gifts and entertainment to include a reporting and monitoring mechanism for all gifts or benefits received or given. Accordingly, all gifts or benefits of a threshold of value above USD 50 per gift if given or received, based on business exigencies, are monitored to ensure conformance with the JKH Group's policies. Such exceptions are required to be reported to the respective Finance Head of the business, where in turn, these are collated and monitored centrally.

- The following key initiatives and targets were rolled-out, in furtherance of the Group's emphasis on creating an inclusive, diverse and equitable work environment;

    - The Group introduced an equal 100 days of maternity and paternity days as parental leave at the birth or adoption of a child. In this regard, while the Group will continue to offer 100 days of maternity leave on the birth or adoption of a child, the five days of the paternity leave was enhanced to 100 days, ensuring equal and recognising the importance of both parents role in early child care.

    - As noted in previous Annual Reports, the Group has set a goal of increasing women participation by 2025/26. The women participation at KFP as at the end of the year stood at 16% (2021/22: 16%)

    - The Group also introduced the use of gender-neutral terminology with the objective of avoiding word choices which may be interpreted as biased, discriminatory or demeaning and with the intention of being inclusive of gender non-binary persons.

    - As a first step to developing the new strategy to increase career opportunities for persons with disabilities (PWDs), a tri-lingual survey to understand the needs and perceptions of PWDs was launched. This was one aspect of a structured phased-out roadmap, which includes identifying roles across the Group's industry groups and sectors, that can be performed by PWDs with reasonable accommodation, the appointment of supported employment officers, and conducting job mapping and awareness sessions by industry experts.

- The Group continued focus on its Fraud Deterrent and Investigation Framework which enables an integrated platform for handling all aspects of fraud and stakeholder assurance. This framework reinforces uniformity across common processes, employs a data driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds.

- The Group continued to strengthen its IT governance framework through the adoption of a Zero Trust Policy Framework effective from 1st April 2022, including a hybrid cloud infrastructure, and implemented Smart Office platform across the group.

- Given the significant macroeconomic challenges and developments prevalent in the country – the Board of Directors and the Group Executive Committee (GEC) frequently deliberated and evaluated the resilience of the Group under multiple stress-tested scenarios.

    - Cognisant of the economic hardships faced by the Group employees on account of rising prices and the scarcity of essential items, JKH provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022.

    - A monthly temporary crisis allowance was introduced to all Group employees with effect from January 2023, to assist in mitigating the impacts of the rapidly elevated cost of living, impacts of taxes and high inflationary environment, among others.

    - A set of initiatives and programmes in the form of non-financial and indirect financial support were rolled-out. These included awareness sessions and webinars on managing personal finances in the current economic climate, emotional support with counsellors and employee supplier catalogues to name a few.

- The KFP Board declared a final dividend of Rs. 0.50 per share in May 2022 for the financial year 2021/22.

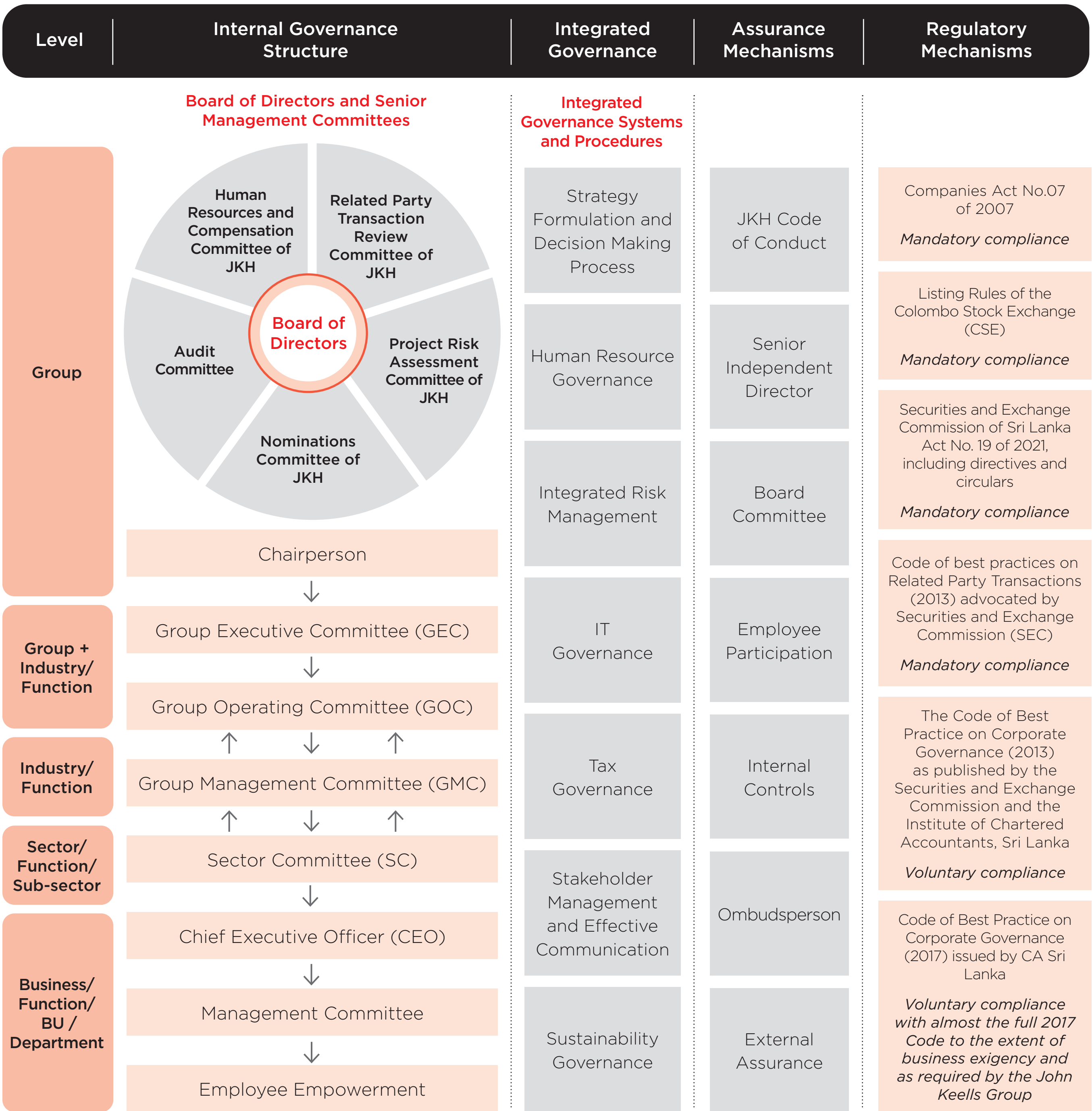
- For the year under review, the Board declared and paid an interim dividend of Rs. 1.50 per share in February 2023.

- A final dividend of Rs. 0.50 per share has been declared by the Board in May 2023, for the financial year 2022/23 to be paid in June 2023.

THE CORPORATE GOVERNANCE SYSTEM

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

A detailed discussion of each of the components shown below is found on the corporate website - www.keellsfoods.com



CORPORATE GOVERNANCE

- Except the Audit Committee, the other four (4) Boards Sub-Committees of JKH act on behalf of KFP and are chaired by Independent Directors appointed by the JKH Board. The Audit Committee is appointed by the KFP Board.
- The Chairperson is present at all Human Resources and Compensation Committee meetings unless the Chairperson's performance assessment or remuneration is under discussion. The Deputy Chairperson/ Group Finance Director is invited as necessary.
- Audit Committee meetings are attended by the President overseeing the Consumer Foods industry group of JKH, Chief Financial Officer, Chief Executive Officer and the Head of Group Business Process Review, Internal and External Auditors are regular attendees.
- The GOC acts as the binding agent to the various businesses within the KFP Group towards identifying and extracting KFP Group synergies.
- Only the key components are depicted in the diagram.

THE BOARD OF DIRECTORS

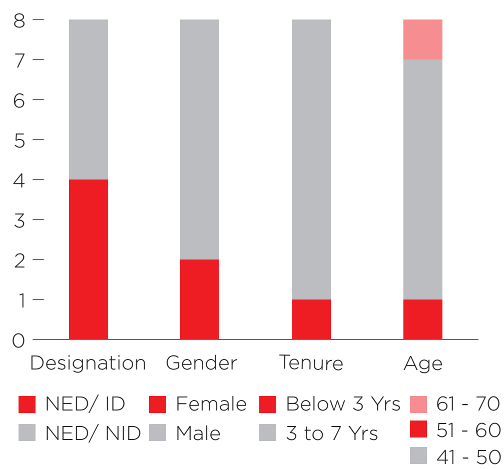
Board Composition

As at 31st March 2023, the Board comprised of 8 Directors, with 4 of them being Non-Executive Independent (NED/ ID), 4 of them being Non-Executive Non-Independent (NED/NID). The Group policy is to maintain a healthy balance between Non-Executive Directors (NED) and Independent Directors (ID), in keeping with the applicable rules and codes, with the NED/NIDs bringing in deep knowledge of the businesses and the NED/IDs bringing in experience, objectivity and independent oversight.

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

The current composition of the KFP Board is illustrated as below:

BOARD COMPOSITION



Board Skills

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

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

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

Profile of the Board of Directors

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

Access to Independent Professional Advice

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

Board Induction and Training

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

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

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

Managing Conflicts of Interests and Ensuring Independence

The KFP 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 KFP Group.

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

PRIOR TO APPOINTMENT

- Nominees are requested to make known their various interests

ONCE APPOINTED

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

DURING BOARD MEETINGS

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

CORPORATE GOVERNANCE

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

Criteria for Defining Independence	Status of Conformity of NEDs
1. Shareholding carrying not less than 10% of voting rights	None of the individual NED/NIDs or NED/IDs shareholdings exceed 1%
2. Director of another Company*	None of the NED/IDs are Directors of another related party Company as defined
3. Income/ non-cash benefit equivalent to 20% of the Director's income	NED/ID income/ cash benefits are less than 20% of an individual Director's income
4. Employment at KFP Group and/or material business relationship with KFP Group, currently or in the two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at KFP Group or any of its subsidiaries or JKH Group
5. Close family member is a Director, CEO or a Key Management Personnel	No family member of the NED/NIDs 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/ID 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 KFP Group and/ or KFP Group has a business connection with	None of the NED/IDs are employed, have a material business relationship or a significant shareholding of another related party Company as defined

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

None of the NED/IDs has a conflict of interest as per the criteria for independence outlined above.

Board Meetings

During the financial year under review, there were four (4) pre-scheduled Board meetings. In addition to the Board Meetings, the Board of Directors communicate, as appropriate, when issues of strategic importance requiring extensive discussions arise.

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

Name of the Directors	Board Meeting Attendance						
	Year of Appointment	25.04.2022	14.07.2022	20.10.2022	26.01.2023	Eligibility	Attended
Independent Non-Executive							
Mr. P D Samarasinghe	2016	✓	✓	x	✓	4	3
Ms. S De Silva	2016	✓	✓	✓	x	4	3
Mr. A E H Sanderatne	2016	✓	✓	✓	✓	4	4
Mr. I Samarajiva	2016	✓	✓	✓	✓	4	4
Non-Independent Non-Executive							
Mr. K N J Balendra	2018	✓	✓	✓	✓	4	4
Mr. J G A Cooray	2018	✓	✓	✓	✓	4	4
Mr. D P Gamlath	2017	✓	✓	✓	✓	4	4
Ms. P N Fernando	2021	✓	✓	✓	✓	4	4

BOARD SUB-COMMITTEES

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

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

i. Audit Committee

ii. Human Resources and Compensation Committee of Parent company - JKH

iii. Nominations Committee of Parent company - JKH

iv. Related Party Transactions Review Committee of Parent company - JKH

v. Project Risk Assessment Committee of Parent company - JKH

Audit Committee

No of meetings - Four (4) meetings were held on a quarterly basis

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 Industry Group President, Industry Group Chief Financial Officer and Head of Group Business Process Review of JKH are permanent invitees for all Committee meetings.
SCOPE	Review the quarterly and annual Financial Statements, including quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations.
	Assess the adequacy and effectiveness of the internal control environment in the KFP 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 KFP Group and ensure robustness and effectiveness in monitoring and controlling risks.
	Review the adequacy and effectiveness of 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 KFP Group's Audit Committee comprise of four (4) Non-Executive Independent Directors with one of them having current membership of a reputed accountancy body. The KFP Group's Audit Committee had four (4) meetings on a quarterly basis during the year and attendance of the Audit Committee members is indicated in the Audit Committee Report.

The Audit Committee consisted of the following members:

Members
• Mr. P D Samarasinghe - Chairperson
• Mr. I Samarajiva
• Ms. S De Silva
• Mr. A E H Sanderatne

Report of the Audit Committee - Refer Audit Committee report section of this Annual Report

CORPORATE GOVERNANCE

Human Resources and Compensation Committee of the Parent Company – JKH
No. of meetings – Two (2)

COMPOSITION	Committee to comprise exclusively of NED, a majority of whom shall be independent.
	The Chairperson of the Committee must be a Independent NED.
	The Chairperson and Deputy Chairperson/ Group Finance Director of JKH are present at all Committee meetings unless the Chairperson or Executive Director remuneration is under discussion respectively.
	The Deputy Chairperson/Group Finance Director, is the Secretary of the Committee.
SCOPE	Review and recommend overall remuneration philosophy, strategy, policies and practice and performance-based pay plans for the John Keells Group.
	Determine and agree with the Board a framework for the remuneration of the Chairperson and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
	Succession planning of Key Management Personnel.
	Determining compensation of NEDs is not under the scope of this Committee.

The Human Resources and Compensation Committee as of 31st March 2023 consisted of the following members;

Members
• Mr. D A Cabraal - Chairperson
• Mr. M A Omar (Resigned w.e.f. 27.06.2022)
• Dr. S S H Wijayasuriya
• Mr. A N Fonseka (Appointed w.e.f. 27.06.2022)
By Invitation
• Mr. K N J Balendra
• Mr. J G A Cooray
• Ms. M P Perera

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

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

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

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

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

A. Cabraal

D A Cabraal
Chairperson of the Human Resources and Compensation Committee
22nd May 2023

DIRECTOR REMUNERATION

Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the KFP Group.

It is noted that fees payable to Non-Executive nominees of JKH are paid to JKH and not to individual Directors. Total aggregate of Non-Executive Director remuneration for the year was Rs. 10.9 million [2021/22: Rs. 7.2 million]

NOMINATION COMMITTEE OF THE PARENT COMPANY – JKH

No. of meetings – Two (2)

COMPOSITION	Majority of the members of the Committee shall be Non-Executive Directors together with the Chairperson.
	The Chairperson of the Committee must be an Non-Executive Director.
	The Secretary to the Board is the Secretary of the Committee.
SCOPE	Assess the skills required on the Board given the needs of the businesses.
	From time to time assess the extent to which the required skills are represented at the Board.
	Prepare a clear description of the role and capabilities required for a particular appointment.
	Identify and recommend suitable candidates for appointments to the Board.
	Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying 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 the Chairperson and Executive Directors is a collective decision of the Board.

Nominations Committee as at 31st March 2023 consists of following Members;

Members
• Mr. D A Cabraal - Chairperson (Appointed w.e.f. 27.06.2022)
• Mr. M A Omar (Resigned w.e.f. 27.06.2022)
• Mr. K N J Balendra
• Ms. M P Perera
• Dr. S S H Wijayasuriya

CORPORATE GOVERNANCE

REPORT OF THE NOMINATIONS COMMITTEE

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

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

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

The Nominations Committee reaffirmed its mandate to:

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

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

John Keells Holdings PLC

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

Ceylon Cold Stores PLC

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

John Keells PLC

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

John Keells Hotels PLC

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

Keells Food Products PLC

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

Tea Smallholder Factories PLC

- A S Jayatilleke (renewal)

Trans Asia Hotels PLC

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

The Committee reports its activities at each Board Meeting.

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

A. Cabraal

A Cabraal
Chairperson of the Nominations Committee
22nd May 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE OF THE PARENT COMPANY – JKH

No. of meetings – Four (4)

COMPOSITION	The Chairperson shall be an Independent Non-Executive Director.
	Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors.
	The composition may include Executive Directors at the option of the Listed Entity.
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.

Related Party Transactions Review Committee as of 31st March 2023 consists of the following members;

Members
• Ms. M P Perera - Chairperson
• Mr. D A Cabraal
• Mr. A N Fonseka
By Invitation
• Mr. J G A Cooray
• Mr. K N J Balendra

REPORT OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

Composition

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

M P Perera

A N Fonseka

D A Cabraal

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

Objective and Governing Policies

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

Procedure

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

M P Perera
Chairperson of the Related Party Transaction Review Committee
22nd May 2023

PROJECT RISK ASSESSMENT COMMITTEE OF THE PARENT COMPANY – JKH

No meetings were held during the financial year

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

The Project Risk Assessment Committee as of 31st March 2023 consists of the following members;

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

REPORT OF THE PROJECT RISK ASSESSMENT COMMITTEE

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

S S H Wijayasuriya (Chairperson)
K N JBalendra
J G A Cooray
M P Perera

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

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

S S H Wijayasuriya
Chairperson of the Project Risk Assessment Committee
22nd May 2023

Role of Chairperson of the Board

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

Chairperson

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

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

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

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

CORPORATE GOVERNANCE

Chairperson:
- To provide leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board
- Ensure constructive working relations are maintained between the Executive and Non-Executive Directors 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

CEO:
- Execute strategies and policies of the Board.
- Ensure the efficient management of the business.
- Guide and supervise Executive Directors towards striking a balance between their Board and Executive responsibilities.
- Ensure the operating model of the Group is aligned with short and long-term strategies of the Group.
- Ensure succession is planned

INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

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

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

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

ASSURANCE MECHANISMS

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

As outlined in the ensuing sections, the Group has various mechanisms in place for concerns to be escalated and raised at a Board level or GEC level. Other than matters on significant transactions linked to the operations of the Group, there were no critical concerns which have a material adverse effect on the Group were raised during the year.

The Code of Conduct

JKH Group Code of Conducts to which the KFP group adhere to;

- Allegiance to the Company and the Group, that ensures the Group will "do the right thing", by going further than the letter of any contract, the law and our written policies.
- Compliance with rules and regulations applying in the territories that the Group operates in.
- Conduct all businesses in an ethical manner at all times in keeping with acceptable businesses practices and demonstrate respect for the communities we operate in and the natural environment.
- Exercise of professionalism and integrity in all business and "public" personal transactions.

The Code of Conduct also entails conformance to all Group policies, and also includes, amongst many others, policies on gifts, entertainment, facilitation payments, proprietary and confidential information. Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism and JKH's Code of Conduct, amongst other policies, also encompass:

- Anti-bribery controls to prevent payments and contributions being made with the aim of obtaining an improper business benefit from any party including, but not limited to, clients, service providers, customers, business associates and political parties; and
- Controls on gifting and favours. The giving or accepting gifts or favours in whatsoever form, including from clients, service providers, customers, business associates and political parties and any other stakeholder we engage with in the course of carrying out duties in our professional capacity, is prohibited if it was possible on the part of a "reasonable person" to conclude that the giving/ acceptance of such gifts

or favours could directly or indirectly affect one's independence in decision making and conduct as an employee and/or if it could be seen by others as a consideration for an official or business favour. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.

In the event a gift or benefit of a threshold of above USD 50 per gift is given or received, based on business exigencies, these are monitored to ensure conformance with the Group's policies, including policies on gifts and entertainment. Such exceptions are required to be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), where in turn, these are collated and monitored centrally.

The Code of Conduct, and thereby all Group policies apply to all employees and directors. All policies of the Company are readily available to employees in the primary languages used in the country the Company operates in i.e. in Sinhala, Tamil and English.

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

The Group Values continue to be consistently referred to by the Chairperson, Presidents, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instil these values in the hearts and DNA of the employee.

Independent Directors

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

Board Sub-Committees

In addition to the KFP Audit Committee, the parent company, JKH PLC's Board Sub-Committees play an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board.

For more information on the Board Sub-Committees refer section 3.2 of the detailed Governance Commentary on the website.

Employee Participation in Assurance

The KFP 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 Sector President and the management. Whilst employees have many opportunities to interact with senior management, the Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal.

- Skip level meetings
- Exit interviews
- Young Forum meetings
- 360 degree evaluation
- Employee surveys
- Monthly staff meetings
- Ombudsperson
- Access to Senior Independent Director
- Continuous reiteration and the practice of the "Open-Door" policy

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

Internal Controls

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

Internal Compliance

A quarterly self-certification programme requires the Presidents, Sector Heads and Chief Financial Officers of KFP group to confirm compliance with statutory and other regulatory procedures, and to identify any significant deviations from the expected norms. The compliance statement which gets collated every quarter and tabled at the respective Audit Committee meetings, is subject to periodic review and where applicable revised, to reflect and capture any material changes that drive the macro and micro operating contexts, for reporting and monitoring purposes.

CORPORATE GOVERNANCE

System of Internal Control

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

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 cheques deposits, in line with international best practice and continual streamlining and optimisation of the Internal Audit function via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.

The KFP Group has in place two integrated frameworks, the 'Fraud Deterrent and Investigation Framework' and the 'Process Review Framework' that complement each other to strengthen the Group's effort to promote anti-fraud, anti-corruption and anti-bribery by proactively recognising the changing context and operating landscape. The integrated fraud deterrent and investigation framework which enables an integrated platform for handling all aspects of fraud and stakeholder assurance, reinforces uniformity across common processes in matters relating to fraud, employs a data driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds.

The Integrated Process Review Framework provides an innovative approach to internal audits which enable audits to be specific and very focussed on matters relevant to a business entity. Emphasis is placed on use-cases and events stemming from the current business strategy, which must get facilitated by participating processes, systems, and personnel which form micro-value chains with special attention to the efficacy of control and its placement to ensure the integrity of transaction as each traverse through each micro-value chain, at the time of audit reviews.

The digital system for quarterly financial and operational information management implemented, continues to perform as per expectations facilitating data capturing for compliance reporting, providing a sustainable and structured mechanism to enable top-down and bottom-up stakeholder engagement, and tracking the progression of how the compliance posture at an entity level has evolved, among others.

The Forensic Data Analytics platform feeds into 'Internal Audit Scoping' and continues to be used to identify areas for process optimisation, strengthening controls and in feedback reporting to reinforce governance (management) and assurance structures.

Initiatives to Strengthen Internal Controls

- The Group continued with its journey of strengthening its internal audit and process review framework by further augmenting, through automation, its holistic approach to internal audits and process reviews. Aimed at fostering better synergy and alignment of process, technology, and people, in optimising the interplay between these components, this framework continues to provide a stable platform to:
- operationalise the structured integrated multimodal process review framework that encourages auditors to report on value added recommendations, identify candidates for full/ partial process automation based on independent assessment of fit within the applicable domain of use cases, industry best practice and access to global knowledge bases.
- Ascertain the degree of alignment and enforcement between process controls and information technology functions, particularly in handling the domain of use-cases.
- Expand the knowledge base of known types of frauds for which process and system controls have been evaluated, and progressively engage in continuous improvement and feedback initiatives based on cumulative learnings.
- Maintain a central repository of data sets associated with each process to undertake retrospective forensic data analysis, as well as the use of the data as a prospective tool as input to steer audit scoping.

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

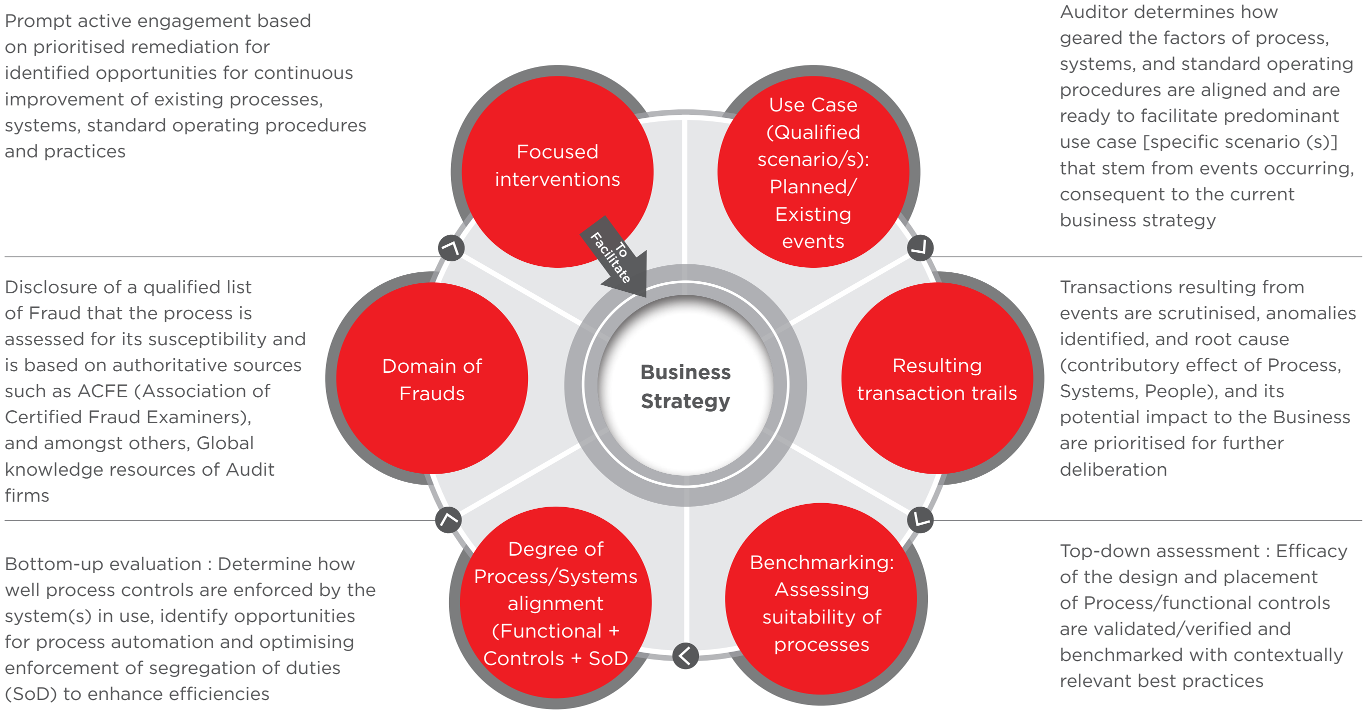
Segregation of Duties (SoD) under Sarbanes-Oxley (SOX) Guidelines

The Group is very aware of the need to ensure that no individual has excessive system access to execute transactions across an entire business process or business processes which have critical approval linkages, in the context that increasing use of information technology and integrated financial controls creates unintended exposures within the Group. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is able to execute two or more conflicting, sensitive transactions. Separating disparate jobs into task-oriented roles can often result in inefficiencies and costs which do not meet the cost versus benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, the Group continues to take steps, to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale. No material conflicts were reported during the year.

Internal Audit

The ensuing diagram provides a helicopter view of the new Internal Audit Approach that has been rolled out within the Group. Central to this approach is the business strategy and how the current processes, systems, and people, are geared to efficiently and effectively handle the deliverables of the current business strategy at the time of review. The outer elements reflects the reporting elements which are noted in audit reports, either as observations and/or value-added recommendations.

The New Internal Audit Approach: Continuous Emphasis on Context



Whilst there are merits and demerits associated with outsourcing an internal audit, KFP Group has deployed an internal auditor in addition to the external auditor.

Forensic Data Analytics to Identify Anomalies and Facilitate Behavioural Oversight

Traditionally, internal auditing followed an approach which was based on a cyclical process that involves manually identifying control objectives, assessing and testing controls, performing tests, and sampling only a relatively small population of the dataset to measure control effectiveness and operational performance. Today, the KFP 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 KFP 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'.

CORPORATE GOVERNANCE

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

The findings and the recommendations of the Ombudsperson, subsequent to an independent inquiry, is confidentially communicated to the Chairperson or to the Senior Independent Director of JKH upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairperson or the senior Independent Director of JKH, as the case may be, will place before the Board:

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

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

The current Ombudsperson is an attorney-of-law by profession.

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

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

ii. Violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairperson-CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;

iii. Sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

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

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

Ombudsperson
31st March 2023

External Audit
Messrs. Ernst & Young is the External Auditor of the Company and the Consolidated Financial Statements of the Group whereby Luthra and Luthra Chartered Accountants is the external Auditor for the Subsidiary.

In addition to the normal audit services, Messrs. Ernst & Young and the other External Auditors, also provided certain non-audit services to the KFP Group. However, the lead/ consolidating auditor would not engage in any services which are in the restricted category as defined by the CSE for External Auditors. All such services have been provided with the full knowledge of the Audit Committee and are assessed to ensure that there is no compromise of External Auditor independence

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

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

OUTLOOK
The need for maintaining a robust and well-grounded corporate governance framework has become vital when operating in a dynamic socio-economic environment, exacerbated by global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate transparency, fair-mindedness and creating sustainable value. In this light, the KFP Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting and managing evolving external challenges.

The pursuit of continuous improvement in governance, emphasis on environmental and social considerations and a call for increased accountability and transparency continue to influence and shape the role of board governance aspects. The primary areas of focus and challenges, amongst many others, being recurrently addressed by KFP are detailed in the ensuing section.

- Board Diversity
- Board Independence
- Anti-fraud, anti-corruption and anti-bribery
- Increasing emphasis on Environmental, Social and Governance (ESG) aspects
- Continual Strengthening of Internal Controls
- Digital Oversight and Cyber Security
- Data Protection, Information Management and Adoption
- Greater Employee Involvement in Governance

BOARD DIVERSITY

KFP Group acknowledges the need for diversity in Boards and is conscious of the need to attract appropriately skilled Directors who reflect the values and requirements of its businesses and vision. Whilst the Group is of the view that diversity ranging across demographic attributes, backgrounds, experiences and social networks improve a Board's understanding of its vast pool of stakeholders, providing diverse connections with the external environment and aiding the Group in addressing stakeholders' claims in a more responsive manner, KFP Group is also conscious of the need to maintain a strong culture of meritocracy, ensuring that Board diversity does not come at the expense of Board effectiveness. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics and backgrounds.

In furtherance of these initiatives, and to amplify the Group's emphasis on creating an inclusive, diverse and equitable work environment, headway was made on the gender diversity front, with 2 females being appointed to the Boards.

BOARD INDEPENDENCE

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

The criteria for defining independence of boards vary significantly across countries. KFP Group is of the view that the intended vision of achieving improved governance and higher independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, establishment of various assurance mechanisms and the use of systematic and comprehensive board evaluation processes and independent director lead engagement. To this end, KFP Group will continue to place emphasis on further augmenting the Board's independence whilst striking a balance with the Group's operating model, which addresses the complexities and intricacies of a diversified business setting.

ANTI-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY

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

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

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

INCREASING EMPHASIS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ASPECTS

ESG analysis and investing continue to gain traction amongst Governments, investment professionals and high net worth investors, given the aim of reducing negligent and irresponsible corporate behaviour that may have an adverse impact on the environment, harm human rights and foster corruption and bribery, among others, and disintegrate the corporate in the long-term. Moreover, implementing effective ESG policies is crucial for companies to attract talent and retain employee loyalty.

CORPORATE GOVERNANCE

The KFP Group is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model, which can derive value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, enhancing the well-being of all stakeholders and ensuring effective governance mechanisms. Such metrics are revisited regularly during decision-making. The KFP Group will stay abreast of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

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

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

CONTINUAL STRENGTHENING OF INTERNAL CONTROLS

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

- Eliminate inefficiencies inherent in manual processes.
- Provide a platform based on process enforcement.
- Enable management follow-up based on centrally held data in a compliance repository.
- Identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture.
- strengthen the Group's ability to prevent and detect fraud

DIGITAL OVERSIGHT AND CYBER SECURITY

Whilst the rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has enhanced and streamlined processes and controls across the Group and opened up opportunities, it has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is designed in a manner, and adequate, to deal with a potential breach. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

DATA PROTECTION, INFORMATION MANAGEMENT AND ADOPTION

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, continues to augur well for the Group. Although the Group continues to witness an acceleration of digitisation and better user adoption, the adoption of such systems and features remain at a relatively early stage across the Group and is a key focus area for the KFP Group.

Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022, data security, integrity and information management has become pivotal. In addition to this, the KFP Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data. To this end, the KFP Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

GREATER EMPLOYEE INVOLVEMENT IN GOVERNANCE

Whilst all necessary compliance and assurance frameworks are believed to be in place, KFP Group recognises the pivotal role played by employees in reinforcing an effective governance system across the Group. KFP will continue to encourage greater employee participation through:

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

A detailed discussion of each of the above components is found on the corporate website www.keellsfoods.com.

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

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference in Annual Report
(i)	Names of persons who were Directors of the Company	Yes	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis, Annual Report of Board of Directors and Financial Statements
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Your Share in Detail
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement. The public holding percentage in respect of non-voting Shares (where applicable)	Yes Not Applicable	Your Share in Detail
(v)	A statement of each Director's holding and Chief Executive Officer'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	Yes	During the year 2022/23, 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)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable	
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Annual Report of the Board of Directors and Notes to the Financial Statements
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Report
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Corporate Governance Commentary/Note 37 of the Notes to the Financial Statements

CORPORATE GOVERNANCE

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 Annual Report
7.10 Compliance			
a./b./c.	Compliance with Corporate Governance Rules	Yes	The 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	All Board members are NEDs. The KFP 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	4 out of the 8 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 4 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	Board of Directors section of the Annual Report
d.	Provide a resume of new Directors appointed to the Board along with details to CSE for dissemination to the public	Yes	Board of Directors section of the Annual Report. No new Directors apointed during the financial year 2022/23.
7.10.4 Criteria for Defining Independence			
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance - 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 (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs.
a.2	One NED shall be appointed as Chairperson of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairperson of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the Chairperson and the Executive Directors	Yes	The remuneration of the Chairperson and the Executive Directors are 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

CSE Rule		Compliance Status	Reference in Annual Report
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	Corporate Governance Report and Financial Statements
7.10.6 Audit Committee			
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs.
a.2	A NED shall be the Chairperson of the committee	Yes	Chairperson of the Audit Committee is an Independent NED.
a.3	CEO and CFO should attend AC meetings, unless otherwise determined by AC	Yes	The Industry Group President, Chief Financial Officer and CEO are permanent invitees to all Audit Committee meetings.
a.4	The Chairperson of the AC or one member should be a member of a recognised professional accounting body	Yes	The Chairperson of the AC is a member of a recognised professional accounting body.
b.	The Functions of the Audit Committee	Yes	The Audit Committee carries out all the functions prescribed in this section.
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	Refer the Report of the Audit Committee
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements	Yes	Refer the Report of the Audit Committee
b.3	Overseeing the process to ensure that the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	Refer the Report of the Audit Committee
b.4	Assessment of the independence and performance of the Entity's External Auditors	Yes	Refer the Report of the Audit Committee
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	Refer the Report of the Audit Committee
c.1	Names of the Audit Committee members shall be disclosed	Yes	Refer the Report of the Audit Committee
c.2	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer the Report of the Audit Committee
c.3	Report on the manner in which Audit Committee carried out its functions and manner of compliance of Company in relation to the above.	Yes	Refer the Report of the Audit Committee

CORPORATE GOVERNANCE

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

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference 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, Report of the Related Party Transactions Review Committee
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference in Annual Report
168 (1) (a)	The nature of the business of the Company or subsidiaries or classes of business in which it has an interest together with any change thereto	Yes	Notes to the Financial Statements
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes thereto	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Annual Report of 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	Report of the Audit Committee/ Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements/ Annual Report of the Board of Directors
168 (2)	Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries.	Yes	Financial Statements / Annual Report of the Board of Directors

BOARD OF DIRECTORS

KRISHAN BALENDRA
Non-Independent – Non-Executive Director, Chairperson

Mr. Balendra was appointed to the Board of Keells Food Products PLC from the 1st of January 2018.

Mr. Balendra is the Chairperson - CEO of John Keells Holdings PLC. He is also the Chairperson of Employers Federation of Ceylon, Deputy Vice Chairman of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of Nations Trust Bank and the Colombo Stock Exchange. Mr. Balendra started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. 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 Keells Food Products PLC from the 1st of January 2018.

Mr. Cooray is the Deputy Chairperson/Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He was the Chairman of Nations Trust Bank PLC. till 30th April 2023. Mr. Cooray holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

AMAL SANDERATNE
Independent – Non-Executive Director

Mr. Sanderatne was appointed to the Board of Keells Food Products PLC from the 10th of June 2016 and is a member of the Audit Committee.

He is the founder and CEO of Frontier Research a provider of time efficient economic, industry and Company research and curated information services. Frontier was founded in 2003. Prior to founding Frontier Research, he worked as a consultant for DFCC bank as the senior transaction advisor for the Sri Lanka Telecom IPO in 2002. He was the Head of Research of JP Morgan/ Jardine Fleming in Sri Lanka. He was later transferred to Singapore and headed JP Morgan's Asia Pacific ADR research and also managed the research of the Hong Kong based Access Products Group. He is a graduate in Economics from the London School of Economics and is a CFA Charterholder.

DAMINDA GAMLATH
Non-Independent – Non-Executive Director

Mr. Gamlath was appointed to the Board of Keells Food Products PLC from the 1st of November 2017.

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

PRAVIR SAMARASINGHE
Independent – Non-Executive Director

Mr. Samarasinghe was appointed to the Board of Keells Food Products PLC from 10th of June 2016 and is the Chairperson of the Audit Committee.

Mr. Samarasinghe has over 30 years of professional and commercial experience and serves on the Board of Directors of several Public Listed and Unlisted Companies. He is a Member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants (UK) and holds a master's degree in Business Administration. He was the Past

BOARD OF DIRECTORS

Chairman of the Sri Lanka Institute of Directors, Employers' Federation of Ceylon, Industrial Association of Sri Lanka and Condominium Developers Association of Sri Lanka. He was the Past President of the Chartered Institute of Management Accountants Sri Lanka Division and former Council Member, CIMA (UK). He was a Board member of the Ceylon Chamber of Commerce and Sri Lanka Accounting and Auditing Standards Monitoring Board.

INDRAJIT SAMARAJIVA

Independent – Non-Executive Director

Mr. Samarajiva was appointed to the Board of Keells Food Products PLC from the 10th of June 2016 and is a member of the Audit Committee.

Mr. Samarajiva is a writer at www.indi.ca. Mr. Samarajiva co-founded and sold YAMU one of Sri Lanka's leading food content platforms to PickMe in 2019. At PickMe, Mr. Samarajiva launched their delivery product PickMe Food. He has experience moving oganisations online, something he has helped to do at Dialog Axiata, The Sunday Leader, and Sarvodaya. He studied Cognitive Science at McGill University in Montreal, Canada.

NELINDRA FERNANDO

Non-independent – Non-Executive Director

Ms. Fernando was appointed to the Board of Keells Food Products PLC from the 01st of January 2021.

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

SHEHARA DE SILVA

Independent – Non-Executive Director

Ms. De Silva was appointed to the Board of Keells Food Products PLC from the 10th of June 2016 and is a member of the Audit Committee.

Ms. De Silva is an international branding and communication specialist with a track record of market development in East Asia and Sri Lanka. She has worked with Omnicom Group related companies as the Director Planning Naga DDB in Kuala Lumpur and later as the Managing Director of Interbrand Malaysia. She was the Deputy Director General of the Board of Investment Sri Lanka and GM Marketing and Sales of Janashakthi Insurance PLC.

She currently Chairs the Advocacy Committee of the Sri Lanka Institute of Directors. She is a trustee of the Neelan Tiruchelvam Trust, and on the Board of Sarvodaya Development Finance PLC, Optima Design, Informatics Institute of Technology, Quickshaws Travel (Pvt) Ltd, Ex-Pack Corrugated Cartons PLC, and Amana Takaful Life PLC.

MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER

Mr. V I Wickramaratne
Vice President / Chief Executive Officer

SALES AND MARKETING

Sales

Mr. N M Adams
Senior Assistant Vice President
Head of Sales & Distribution

Mr. S Nanayakkara
Manager - Sales Administration

Mr. G W C G B Gonigoda
Channel Manager

Mr. M A W S S Maddumaarachchi
Channel Manager

Mr. S T B S Kumara
Channel Manager

Mr. S A S D Subasinghe
Channel Manager

Marketing

Mr. R D J Valentine
Brand Manager

SUPPLY CHAIN

Mr. T Abeygunawardena
Assistant Vice President - Head of Operations

Mr. G Samaranayake
Senior Assistant Vice President
Head of Engineering - Consumer Foods Industry Group

Production

Mr. W A V Boteju
Manager - Head of Manufacturing

Mr. K A V Fernando
Senior Factory Manager - Pannala

Mr. C N Soza
Factory Manager - Ekala

Research and Development and Quality Assurance

Mr. A A N Lalantha
Assistant Vice President
Head of Quality Assurance and Research & Development
- Consumer Foods Industry Group

Mr. B M G M Basnayake
Manager - Quality Assurance and Development

Procurement

Mr. S V R Boteju
Senior Manager - Head of Purchasing

Engineering

Mr. G G S Ramanayaka
Manager - Engineering

Logistics

Mr. P Perera
Manager - Logistics

HUMAN RESOURCES

Ms. S M S N K Paranayapa
Vice President - Head of Human Resources
Consumer Foods Industry Group

Ms. M W C K Jayasooriya
Manager - Human Resources

Mr. D Amarakoon
Manager - Learning & Development

FINANCE

Ms. P N Fernando
Director/ Executive Vice President
Chief Financial Officer - Consumer Foods Industry Group

Mr. G Samarakkody
Assistant Vice President
Financial Controller - Consumer Foods Industry Group

Mr. S Tennakoon
Assistant Vice President
Head of Financial Planning and Analysis - Consumer Foods Industry Group

Ms. E M T M Wijewickrama
Assistant Vice President
Head of Tax - Consumer Foods & Retail Industry Groups

Mr. A C Morris
Manager - Management Accounting

Ms. S Munasinghe
Finance Manager

GRI CONTENT INDEX

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

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	**The organisation and its reporting practices**				
	2-1 Organisational details	12, 123			
	2-2 Entities included in the organisation's sustainability reporting	12			
	2-3 Reporting period, frequency and contact point	12			
	2-4 Restatements of information	12			
	2-5 External assurance		2-5	Not applicable	We have not sought external assurance on our sustainability reporting
	Activities and workers				
	2-6 Activities, value chain and other business relationships	18			
	2-7 Employees	38			
	2-8 Workers who are not employees	38			
	Governance				
	2-9 Governance structure and composition	57			
	2-10 Nomination and selection of the highest governance body	67			
	2-11 Chair of the highest governance body	67			
	2-12 Role of the highest governance body in overseeing the management of impacts	57			
	2-13 Delegation of responsibility for managing impacts	57			
	2-14 Role of the highest governance body in sustainability reporting	73			
	2-15 Conflicts of interest	59			
	2-16 Communication of critical concerns	57			
	2-17 Collective knowledge of the highest governance body	73			
	2-18 Evaluation of the performance of the highest governance body	62			
	2-19 Remuneration policies	62			
	2-20 Process to determine remuneration	62			
	2-21 Annual total compensation ratio		2-21	Confidentiality constraints	Industry does not disclose this information due to confidentiality reasons.

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
	Strategy, policies and practices				
	2-22 Statement on sustainable development strategy	28			
	2-23 Policy commitments	55			
	2-24 Embedding policy commitments	55			
	2-25 Processes to remediate negative impacts	93			
	2-26 Mechanisms for seeking advice and raising concerns	24			
	2-27 Compliance with laws and regulations	54			
	2-28 Membership associations	48			
	Stakeholder engagement				
	2-29 Approach to stakeholder engagement	24			
	2-30 Collective bargaining agreements	41			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	26			
	3-2 List of material topics	27			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	7			
	201-2 Financial implications and other risks and opportunities due to climate change	97			
	201-3 Defined benefit plan obligations and other retirement plans	41, 169			
	201-4 Financial assistance received from government	KFP did not receive any financial assistance from the Government during the year.			
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	39			
	202-2 Proportion of senior management hired from the local community	39			
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	33			
	203-2 Significant indirect economic impacts	20			

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	48			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	73			
	205-2 Communication and training about anti-corruption policies and procedures	73			
	205-3 Confirmed incidents of corruption and actions taken	KFP did not come across incidents of corruption during the current financial year			
Anti-competitive behavior					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	175			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 207: Tax 2019	207-1 Approach to tax	Corporate Governance section in *www.keellsfoods.com*			
	207-2 Tax governance, control, and risk management				
	207-3 Stakeholder engagement and management of concerns related to tax				
	207-4 Country-by-country reporting		207-4	Not applicable	Not relevant to the Company's operations
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	51			
	301-2 Recycled input materials used		301-2	Not applicable	Not relevant to the Company's operations
	301-3 Reclaimed products and their packaging materials		301-3	Not applicable	Not relevant to the Company's operations

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	52			
	302-2 Energy consumption outside of the organisation		302-2	Information unavailable/ incomplete	
	302-3 Energy intensity	52			
	302-4 Reduction of energy consumption	51			
	302-5 Reductions in energy requirements of products and services		302-5	Not applicable	Not relevant to the Company's operations
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	52			
	303-2 Management of water discharge-related impacts	52			
	303-3 Water withdrawal	52			
	303-4 Water discharge	53			
	303-5 Water consumption	52			
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		304-1	Not applicable	Not relevant to the Company's operations
	304-2 Significant impacts of activities, products and services on biodiversity		304-2	Not applicable	Not relevant to the Company's operations
	304-3 Habitats protected or restored		304-3	Not applicable	Not relevant to the Company's operations
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		304-4	Not applicable	Not relevant to the Company's operations

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	53			
	305-2 Energy indirect (Scope 2) GHG emissions	53			
	305-3 Other indirect (Scope 3) GHG emissions	53			
	305-4 GHG emissions intensity	53			
	305-5 Reduction of GHG emissions	53			
	305-6 Emissions of ozone-depleting substances (ODS)	53			
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	53			
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	52			
	306-2 Management of significant waste-related impacts	52			
	306-3 Waste generated	53			
	306-4 Waste diverted from disposal	52			
	306-5 Waste directed to disposal	53			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	48			
	308-2 Negative environmental impacts in the supply chain and actions taken	48			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	40			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	38			
	401-3 Parental leave	38			
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	41			

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	40			
	403-2 Hazard identification, risk assessment, and incident investigation	40			
	403-3 Occupational health services	40			
	403-4 Worker participation, consultation, and communication on occupational health and safety	40			
	403-5 Worker training on occupational health and safety	40			
	403-6 Promotion of worker health	40			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	40			
	403-8 Workers covered by an occupational health and safety management system	40			
	403-9 Work-related injuries	40			
	403-10 Work-related ill health	40			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	43			
	404-2 Programmes for upgrading employee skills and transition assistance programmes	42			
	404-3 Percentage of employees receiving regular performance and career development reviews	42			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	38, 46			
	405-2 Ratio of basic salary and remuneration of women to men	41			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	43			

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	48			
Child labour					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	38, 48			
Forced or compulsory labour					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 409: Forced or Compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	38, 48			
Security practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		410-1	Not applicable	Not relevant to the Company's operations
Rights of indigenous peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		411-1	Not applicable	Not relevant to the Company's operations
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	48			
	413-2 Operations with significant actual and potential negative impacts on local communities	The Company has not identified any operations with significant negative impact on the local communities			

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	48			
	414-2 Negative social impacts in the supply chain and actions taken	48			
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 415: Public Policy 2016	415-1 Political contributions	The Company has not made any political contribution during the year.			
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	46			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	46			
Marketing and labeling					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labelling	46			
	417-2 Incidents of non-compliance concerning product and service information and labeling	46			
	417-3 Incidents of non-compliance concerning marketing communications	46			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	26			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		418-1	Not applicable	Not relevant to the Company's operations

ENTERPRISE RISK MANAGEMENT

The underlying principle of enterprise risk management practiced at KFP is to optimise risk and reward dynamics and thereby deliver shared and sustainable value to all stakeholders. Like any other business, KFP faces uncertainty and challenges stemming from both its external and internal operating landscapes. The management determines the degree to which such uncertainty should be accepted and managed whilst driving its strategic aspirations. Uncertainties present risks as well as opportunities, with the potential to erode or enhance value. Enterprise risk management enables the Company to effectively identify, measure and manage the uncertainties and associated risks, whilst optimising value through effectively deploying resources to capitalise emerging opportunities.

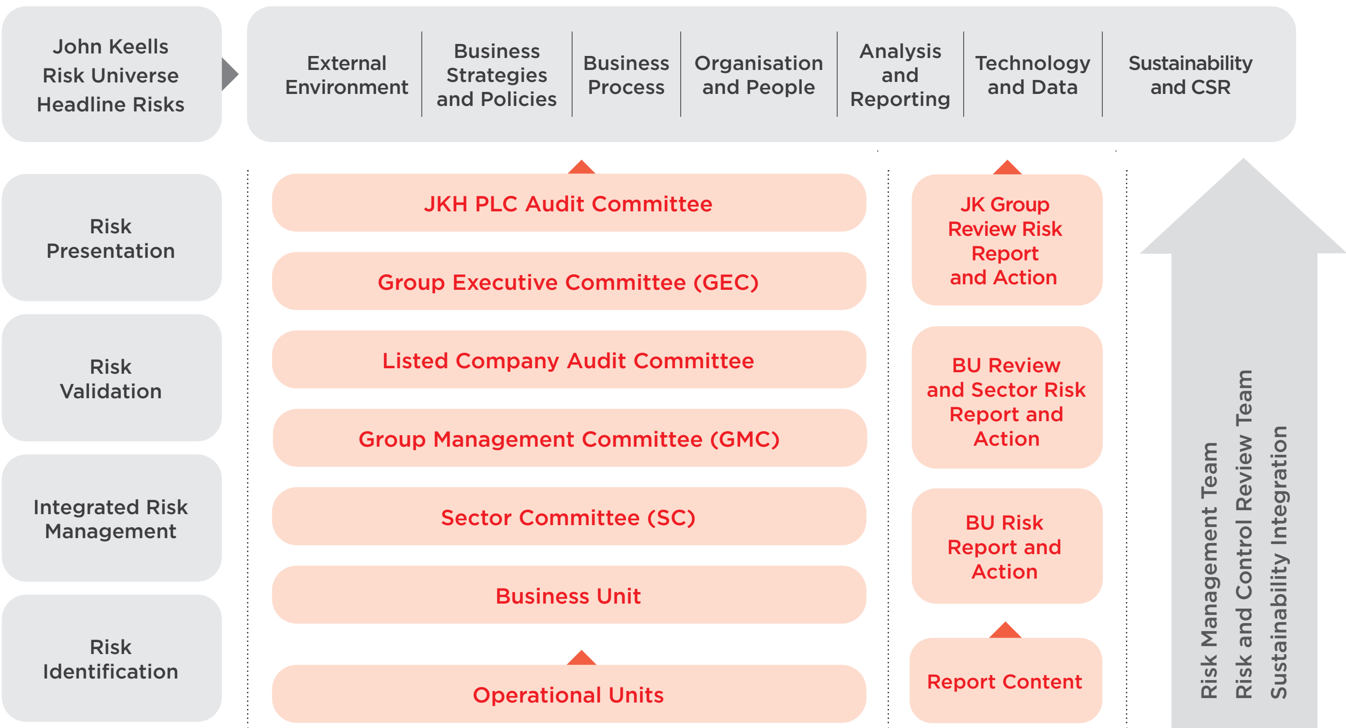
KFP's approach to risk management is aligned with the John Keells Group's Enterprise Risk Management (JKH ERM) Framework. The Enterprise Risk Management cycle begins in the first quarter of the year with the annual risk review of all Business Units by the JKH ERM Division.

The Division assists the heads of Business Units and the respective heads of Departments to comprehensively assess, rate and set-up mitigation plans for structural, operational, financial, and strategic risks relevant to their operations based on past information and assessment of the operating landscape.

The Group Management Committee (GMC) and the Company's Board of Directors are the ultimate owners of its risks and are responsible for ensuring the effective management of risks, through quarterly review of the Risk Control Self-Assessment (RCSA) forms. Identified risks are revalidated at the GMC on a quarterly basis and presented to the Audit Committee on a bi-annual basis. The Company risk register is given due consideration by the JKH ERM division in consolidating risks for the John Keells Group. The risk management cycle is concluded with the presentation of a Group Risk Report 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 Subsidiary involves the following:

1. **Identification of Types of Risk**

   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 the organisation but may have a very low or nil probability of occurrence.

2. **Establishment of a Risk Register with Likelihood of Occurrence and Severity of Impact**

   Using the JKH Group guidelines, a risk grid is established for the Company and its Subsidiary. Every risk is analysed in terms of likelihood of occurrence and severity of impact and assigned a score 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.

3. **Establishment of Level of Risk**

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

Table 2 -Guideline for Rating Risks

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

The Colour Matrix implies the following;

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

ENTERPRISE RISK MANAGEMENT

QUARTERLY REVIEW OF THE RISK IDENTIFIED USING RISK FRAMEWORK BY THE COMPANY

It is the responsibility of the Chief Executive Officer (CEO) and the Company Risk Management team to ensure that each risk item is reviewed on a quarterly basis and to ensure that the mitigation actions identified during the risk review process are being carried out adequately. This ensures that the Company has a 'living' document that is updated based on internal and external conditions, on a quarterly basis through the Group's online Enterprise Risk Management IT platform, facilitating a relevant and timely dynamic risk register.

RISK UNIVERSE

The identified risks are broadly classified into the risk universe as identified by the John Keells Group. The risk universe for KFP is given in Table 3.

Table 3 - Risk Universe

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
	Competitor	Governance	Operations – Planning, Production, Process	Training and Development	Budgeting/ Financial Planning	Technology Reliability and Recovery	Biodiversity and Climate Change
	Catastrophic Loss	Capital and Finance	Operations – Technology, Design, Execution, Continuity	Human Resource Policies and Procedures	Accounting/ Tax	Data relevance, Processing and Integrity	Natural/ Sustainable Resource Utilisation
	Stakeholder Expectations	Strategy and Planning	Interdependency	Ethics	Internal/ External Reporting and Disclosures	Cyber Security	Community Investment and Philanthropy
	Macro Economic	Business/ Product Portfolio	Customer Satisfaction	Fraud and Abuse		IT Processes	Financing and Tax
	Foreign Exchange and Interest Rates	Organisation Structure	Legal, Regulatory Compliance and Privacy	Attrition		Cloud Computing	Oversight/ Monitoring/ Compliance
	Weather and 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

The Company's risk management strategy is closely interwoven with its sustainability management framework and corporate social responsibility (CSR) functions, enabling a holistic approach towards the identification, management and mitigation of risk. Risk Management therefore extends beyond managing the operational and financial risks faced by the Company, to encompass broader environmental, community, employee, value chain and other non-financial risks related to the triple bottom-line approach of the Company, providing a foundation for productive engagements with internal and external stakeholders.

RISK MANAGEMENT DURING THE REPORTING YEAR

The year under review was underpinned by severe macro-economic challenges including the devaluation of the Rupee, scarcity of foreign exchange, increase in taxes, high interest rates, shortages in fuel & gas, disruption to the power supply coupled with cost escalations stemming from inflationary pressures. The Company pursued cost rationalisations, vigorous monitoring of the working capital, curtailing of non-essential capital expenses and stringent cashflow management to maintain business continuity. The Company continues to enhance its risk identification, analysis, and assessment procedures to effectively respond to current and potential risks, engage with stakeholders, and better align risk management with strategy. Furthermore, the economic recession has brought out the importance of seeing ERM as a strategic process that provides value for an organisation, rather than merely a statutory obligation.

Any high-level risks or core risks were reviewed by the Group Management Committee (GMC) headed by the President of the Industry Group as a means of validating the risk process at Business Unit level. The significant risk areas that impact the achievement of the strategic business objectives of the Company and the measures taken to address these risks during the year under review are discussed below.

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2022/23	2021/22
Macro-Economic Environment, changes in interest rate, exchange rate, electricity and fuel prices, taxes and tariffs	Macro-economic fundamentals such as inflation, GDP growth, interest rates, exchange rates, policy developments relating to tax/duty structures, and energy prices directly impact the fixed and variable costs of the Company as well as consumer disposable income which in turn impacts sales volumes. The cost of locally sourced and imported raw material constitute a significant portion of our cost of production, due to which the depreciation of the Rupee, increase in borrowing rates and changes in duties and taxes have a considerable impact on our cost base. Given the country's weak external position, Central Bank of Sri Lanka (CBSL) enacted a variety of measures to restrict importation. Downgrading of Sri Lanka's sovereign credit rating, limited foreign exchange reserves and difficulties in obtaining Letters of Credit (LCs) from Banks increased the strain on working capital. In August 2022 and February 2023, electricity tariffs were increased by 136% and 36%, respectively, which had a direct impact on the energy-intensive manufacturing processes, cold storage, and distribution channels, resulting in a further margin deterioration. The increase in Value-Added-Tax (VAT), Corporate Income Tax and introduction of Social Security Contribution Levy (SSCL), and impacted the overall operations, with considerable cost escalation throughout the supply chain and a decline in market demand due to diminished consumer purchasing power.	• Continuous review of emerging macro-economic developments and consumer behaviour through market surveys. • Strengthen local procurement through the development of local suppliers as a substitute to imported raw materials to mitigate the cost impact of certain imports. • Proactive demand planning and frequent projections carried out due to uncertainty and the volatility in the market in order to meet the set targets. • Strategic planning in sourcing and holding buffer inventory for the smooth execution of the production plan. • Proactively engaging with the Government to create a conducive industry environment along with other leading manufacturers, retailers and suppliers. • Manage fixed and variable rate borrowing options to mitigate risk and forward booking for imports to hedge against exchange rate risks. • Working with JKH Group Treasury to leverage on its capabilities to manage the availability of foreign currency. • Continuous monitoring of the existing banking facilities and re-negotiating on possible enhancements to the existing facilities.	High	High

ENTERPRISE RISK MANAGEMENT

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2022/23	2021/22
	Personal Income Tax (PIT) reliefs and tax slab reforms from the 2023 Budget had a substantial impact on consumer sentiment and spendings. These changes have prompted a drop in consumption, resulting in a decline in sales volumes. Full impact of these cost escalations cannot readily be passed on to the customer, thereby having a direct impact on profitability.	• Obtaining short-term loans to fund working capital requirement and long term facilities to fund the capex. • Introduction of products for price and quality conscious customers. • Initiatives to support distributors through economic challenges stemming from indirect tax hikes and rising fuel and electricity costs • Weekly/ monthly cashflow monitoring to ensure cashflows are planned and control to minimise finance cost		
Volatility of material prices and inconsistency in supply of raw materials	The Company is exposed to price volatility in the market, especially in raw meat, packing material and fuel which are the key materials of the Company. During the year, the Company was adversely impacted by sharp and unexpected changes in material prices which cannot be readily passed on to the customer, thereby impacting profit margins. The cost of imported materials has increased due to the depreciation of the Rupee, increase in borrowing rates, forex crisis and restrictions on imports by the Government. Further, the cost of locally sourced materials also escalated in the short term due to constraints in production due to the operational challenges stemming from the pandemic. Challenges in sourcing animal feed and the spread of various diseases impact the supply of chicken and pork in the market. Given limitations in supply, this could directly impact the Company's production.	• Entering into long-term contracts with suppliers at guaranteed terms. • Supporting suppliers through the provision of financial assistance at concessionary interest rates, and shorter credit period. • Increasing the supplier base and, monitoring of material prices on a continuous basis. • In house deboning of raw meat to mitigate price volatility. • Ongoing focus on backward integration to mitigate the impact of input price volatilities • Compliance to stringent quality criteria in material procurement. • Capacity development of local farmers to share industry best practices. • A portion of the cost increases are passed on to consumers by way of taking price increases. • Pursued partnerships with alternative suppliers as a means of obtaining direct imports at a low cost. • Development of alternative recipes and value engineering to mitigate the cost impact without compromising on the taste and the quality of the products. • Carrying a buffer stock to face the unforeseen situations in the market.	●	●

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2022/23	2021/22
Vulnerabilities from IT related risks (Cyber Risk)	As the Company increasingly relies on IT and digital services, it is inevitably exposed to risks stemming from data privacy, cyber-crime and other ICT risks.	• Installing stringent access controls, firewalls, security software and dedicated user ID's. • A Comprehensive disaster recovery plan is in place to ensure continuity of business operations. • Availability of a dedicated Information Security and the use of appropriate software. • Maintain up to date virus definition files and firewalls. • Obtain daily, weekly, and monthly "on site" and "off-site" data backups, cloud storage for all users.	●	●
	During the pandemic and fuel crisis, employees were given the opportunity to work from home (agile work policy) which in turn has escalated potential risks pertaining to network security, information leakage and device stability.	• Up to date anti-virus security systems. • Installation of an open DNS security system (Umbrella Roaming Client). • Continuous training to employees on information security.		
Business process and product liability risk	The Company has identified Business Process and Product Liability as a core risk which can arise due to any defect in the product and/ or manufacturing process such as food contamination and poisoning.	• External assurance on the manufacturing processes including certifications such as ISO 9001:2015 and ISO 22000: 2018 and Halal Certificate. • Adherence to Good Manufacturing Practice (GMP) and Food Safety standards. • Fully compliant with rules and regulations which are imposed by the Consumer Affairs Authority's and other statutory bodies. • Established a Complaint Management System (CMS). • Implemented new test kits methods which are certified under AOAC and ISO certification which provides results within 24 hours with a greater accuracy. • Deployed "Physical Quality Checkers" in the manufacturing facilities whose preliminary responsibility is to observe the entire manufacturing processes to ensure production is carried out according to the stipulated regulations and standards.	●	●

ENTERPRISE RISK MANAGEMENT

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2022/23	2021/22
Meeting quality expectations, change in customer expectations	The food manufacturing industry is subject to general risks of food spoilage or contamination, consumer preferences with respect to nutrition and health related concerns, governmental regulations and consumer liability claims. These risk if materialised, may impact Company's reputation leading to loss of market share and possible litigation.	• The Company has put in place a comprehensive quality assurance system powered by qualified specialists using international benchmarks, which considers all product and process innovations to avoid any regulatory, health and nutrition related concerns. • Validating all nutritional standards of the products with respect to Government regulations. • Use of high-quality ingredients which satisfy international and local regulatory standards. • Ensure compliance with the ISO 22000:2018 (food safety standard) and ISO 9001:2015 (Quality Management Systems). • The effluent treatment plant at Pannala upgraded to match the latest technology and to address the specific requirements in relation to the water related quality standards. • Recipe validation was done covering every product range to improve the consistency. • Inspections at the distributor's cold chain facilities and strengthening the sites of raw material suppliers by visiting them on a regular basis. • Introduction of Data loggers inside the delivery vehicles to monitor their freezer temperature and thereby to ensure consistent cold chain. • A system folder with restricted access has been created to ensure data security and confidentiality of QA related documents in both Pannala and Ekala. • Strengthened microbiology and sensory evaluation system covering entire product portfolio prior to market release. • Continued monitoring of customer preferences and development of products to suit these emerging requirements.	● (Low)	● (Low)
	In order to proactively understand and meet emerging customer expectations, the Company is required to monitor and keep up to date with market trends to ensure a satisfied and loyal customer base and retain the competitive edge.	• Continuous upgrading of certain recipes of chicken meat balls and skinless chicken sausages category. • Increased focus on strengthening our value-for-money offering, given customers' increased concerns on product affordability. This included value engineering of products and expanding the small-sized pack for several key products. • Launch of two new crispy chicken products (Chicken Fillet and Chicken Thigh), Frankie range and Keells Krest Nai Miris Sausages.		

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2022/23	2021/22
Human Resources, Labour Relations, Talent Management, Health and Safety	Key Human Resource areas such as recruitment, career development, performance management, training and development, competency frameworks, coaching and mentoring, talent management, reward and recognition, compensation and benefits have been reviewed and revised to align with JKH Group policies and industry best practice. The Company has 397 permanent employees of which 35% are represented by unions. For KFP, weakening of labour relations could result in a significant increase in labour costs, disruption to operations and increase in production down time and could impact the image of the Company. The company's operations may be impacted by the potential loss of experienced employees due to skill migration trend prevalent in the country. Personal Income Tax (PIT) increases and tax slab reforms in the 2023 Budget had a significant impact on employee retention and rewards.	• Maintaining ongoing dialogue on a proactive basis with union representatives to maintain cordial industrial relations. • Embedded various personnel development programmes to develop skills and capabilities. • The Company has obtained the ISO 45001: 2018 system certifications related to Occupation Health and Safety Management System (OHSMS) for both Pannala and Ekala Plant. • The factories are registered with district factory inspecting engineer office to be comply with the new law introduced in 2019. • Aligning Compensation and Benefits (C&B) structures and organisational culture to suit contemporary trends while strengthening emotional connections with regular employee engagement activities.		
Environmental implications arising from effluent water, gas leaks and incinerator fumes	As a manufacturing organisation, KFP's environmental impacts include water discharge, incinerator fumes, disposal of waste and the possibility of gas or fuel leaks that could escape to the surrounding environment. These impacts can affect the Company's reputation which can have a prolonged adverse impact on operations. Implications of climate change and adverse weather patterns could also impact the Company's supply chain, leading to unforeseen cost escalations.	• Comprehensive environmental management framework aligned to the Parent entity, which includes targets for reducing energy, water and carbon intensity. • Responsible disposal in wastewater of the Ja-Ela manufacturing facility directly to the Central Waste-water Treatment plant which is maintained by National Water Supply and Drainage Board. • The wastewater of the Pannala manufacturing facility is treated through an Effluent Treatment Plant within the factory before being irrigated in the land of the factory premises. • A Dissolved Air Flotation system (DAF) was installed in Pannala facility which separates the solid waste and reduce the amount of effluent treated. • Waste water quality checks are done on a fortnightly basis through accredited laboratories to ensure the treated water conforms to the COD and BOD levels that are stipulated under the EPL.		

ENTERPRISE RISK MANAGEMENT

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2022/23	2021/22
Natural disaster and fire	Natural disasters such as earthquakes, storms, floods and fire give rise to major adverse events which could be beyond a controllable proportion and can significantly affect the Company's business process by way of loss of life, loss and damage to property and disruption of operations.	• Obtaining adequate insurance covers on all properties. • Implemented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) with regular drills. • The Company has factories in two separate locations, which can also serve as an alternative in the case of an emergency due to the occurrence of natural disasters or a fire. • The Company has obtained "The Means of Escape" certificate from factory inspecting engineer which is a legal requirement that needs to be fulfilled according to the section no 39 of the factory ordinances No. 45 of 1942. • Also, BCP is supported by an Occupational Health and Safety Management System (OHSMS). KFP obtained the ISO 45001:2018, which is integrated with our daily operations and it is supported by awareness, training, and system audits. KFP has also developed and trained the Emergency response plan (ERP) for employees. • The Company is registered with the fire brigade.	●	●
Credit Risk	Credit facilities are offered to the Company's customers and distributors in keeping with the business environment. Hence, the Company is exposed to the risk of defaulting payments and increase in cost of operations due to bad debts. Cost escalations led to an increase in the prices, which increased the distributors' exposure against provided bank guarantees. Due to low offtake in the market, retailers faced credit limitations, which resulted in payment delays.	• Continuous evaluation of credit worthiness to set up credit limits. • Maintaining bank guarantees and progressively increasing bank guarantee requirements to minimise exposure. • Granting approval on additional credit facilities by adequately safeguarding exposures with sufficient asset backed securities. • Weekly monitoring of debtors and frequently ensuring the outstanding are settled on time despite of the contraction of the economic activities.	●	●
Instability of Distributor network	Instability in the distributor network due to escalation in costs from inflationary pressures and increase in taxes along with drop in volumes due to reduction in consumer spending	• Monthly monitoring of distributor profitability and identifying distributors who needed financial support. • Assistance by way of extended credit, marging enhancements and advice in cashflow management and cost controls.	●	●

RESILIENT

Financial Calendar	Date
First Quarter Released on	14th July 2022
Second Quarter Released on	2nd November 2022
Third Quarter Released on	26th January 2023
Fourth Quarter Released on	22nd May 2023
Annual Report 2022/23 Released on	22nd May 2023
Fourty First Annual General Meeting on	26th June 2023

FINANCIAL INFORMATION

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Keells Food Products PLC (Company) has pleasure in presenting the 41st Annual Report of your Company which covers the Audited Financial Statements of the Company and its Subsidiary John Keells Foods India (Private) Limited (Subsidiary), Chairperson's Review, Corporate Governance Commentary, Management Discussion and Analysis, Risk Management and all other relevant information for the year ended 31st March 2023.

In the year under review, KFP recorded a topline growth and successfully maintained its market share despite the challenging economic environment that prevailed in the country. The management has formed judgment that the Group have adequate resources to continue in operational existence for the foreseeable future driven by the continuous application of risk mitigation initiatives; and monitoring of business continuity, and response plans by the operations, backed by the financial strength of the Group.

The content of this Annual Report has also considered the requirements of the Companies Act No. 07 of 2007 (Companies Act), the relevant Listing Rules of the Colombo Stock Exchange (CSE) and recommended best practices on reporting.

The Company was incorporated on the 5th November 1982 as a Public Limited Liability Company and the shares of the Company were listed on the Colombo Stock Exchange. Subsequently, in pursuant to the requirements of the Companies Act, the Company was re-registered and given a new Company number PQ 3 on 15th June 2007.

CORPORATE VISION AND VALUES

A culture of innovation, integrity, excellence, caring and trust has been developed within the Group. By being aligned with these values the Directors and employees conduct their activities in accordance with the highest levels of ethical standards to achieve the 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."

PRINCIPAL ACTIVITIES

Company

The principal activity of the Company is the manufacture and sale of processed meats, raw meats, crumbed products and other convenient food products, which remained unchanged during the year.

Subsidiary

John Keells Foods India (Private) Limited.

The principal activity of John Keells Foods India (Private) Limited (JKFI) is the marketing of processed meat products in India. JKFI was incorporated on the 7th of April 2008. JKFI has not carried out any commercial operations during the year ended 31st March 2023.

Ultimate Parent

The Company's ultimate Parent and controlling entity is John Keells Holdings PLC (JKH or Parent Company), which is incorporated in Sri Lanka.

REVIEW OF BUSINESS SEGMENTS

A review of the financial and operational performance and future business developments of the Group is described in the Chairperson's Review and the Management Discussion and Analysis section of the 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 its Subsidiary during the financial year ended 31st March 2023. The Segment- wise contribution to Group revenue, results, assets and liabilities are provided in Note 7 to the Financial Statements of this Annual Report.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Financial Statements of the Group and the Company for the year ended 31st March 2023, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) with the inclusion of the signatures of the Director/Group Finance Director, Non-Executive Director and Chief Financial Officer/ Non-Executive Director given as a part of the Integrated Annual Report.

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Profit after tax	**13,945**	329,573
Other adjustments	**(66,620)**	(6,712)
Balance brought forward from the previous year	**503,344**	422,733
Amount available for appropriation	**450,669**	745,594
Final dividend paid for the previous year	**(12,750)**	(63,750)
Interim dividend paid for the current year	**(38,250)**	(178,500)
Balance carried forward	**399,669**	503,344

ACCOUNTING POLICIES

All the significant accounting policies based on the Accounting Standards (SLFRS/ LKAS) issued by the CA of Sri Lanka are provided in detail, in the notes to the Financial Statements on pages 123 to 175. There have been no changes in the accounting policies adopted by the KFP Group during the year under review other than disclosing Note 6 to the Financial Statements.

REVENUE

The Revenue generated by the Group and the Company for the financial year amounted to Rs. 6,444 million (Rs. 4,601 million in 2021/22). An analysis of the Revenue is given in Note 13 to the Financial Statements.

PROFITS AND APPROPRIATIONS

The Profit After Tax of the Group profit attributable to equity holders of the Parent for the financial year was Rs.14 million (2021/22 - Rs. 330 million) whilst for the Company, it was Rs. 15 million (2021/22 - Rs 331 million).

The Group's total comprehensive income attributable to equity holders of the Parent was Rs. 63 million (2021/22 - Rs. 356 million), and the Company's total Comprehensive Income net of tax was Rs. 68 million (2021/22 - Rs. 357 million).

DIVIDENDS

A Final Dividend of Rs. 0.50 per share for the financial year 2021/22 was paid on the 6th of June 2022. An Interim Dividend of Rs. 1.50 per share for the financial year 2022/23 (Rs. 7.00 - 2021/22) was paid on the 28th of February 2023.

The Board of Directors has now approved a final dividend of Rs. 0.50 per share for the financial year 2022/23 to be paid on the 19th of June 2023 to shareholders in the share register as of 29th May 2023, in accordance with Sri Lanka Accounting Standard 10 - Events After the Reporting Period. The declared dividend has not been recognised as a liability as at 31st March 2023.

As required by Section 56(2) of the Companies Act, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act and a certificate has been obtained from the Auditors, prior to declaring all dividends.

Dividend per share has been computed for all periods based on the number of shares in issue at the time of the dividend payout. The dividends are paid out of taxable profits of the Company and will be subjected to a withholding tax at the rate prevailing on the date of payment.

RESERVES

Total reserves as at 31st March 2023 for the Group amounted to Rs. 813 million (Rs. 898 million as at 31st March 2022) whilst the Company was Rs. 822 million (Rs. 902 million as at 31st March 2022). The detailed movement of Reserves is given in the Statement of Changes in Equity on page 121 of this Annual Report.

CAPITAL EXPENDITURE

The total capital expenditure on acquisition of Property, Plant and Equipment and Intangible Assets of the Group and the Company amounted to Rs. 292 million (Rs. 127 million in 2021/22) details of which are given in Note 20 and 22 to the Financial Statements. Capital expenditure approved but not provided in the Financial Statements for the KFP Group and Company is given in Note 39 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

The value of Property, Plant and Equipment as at the reporting date amounted to Rs. 1,702 million (Rs. 1,503 million 2021/22) for the Group and the Company. The details of Property, Plant and Equipment and their movements are shown in Note 20 to the Financial Statements. The details of Intangible assets are shown in Note 22 to the Financial Statements.

VALUATION OF LAND AND BUILDINGS

All Land and Buildings owned by the KFP Group were revalued by a professionally qualified independent valuer as at 31st December 2022. The valuation was carried out by Mr. P B Kalugalagedera Chartered Valuation Surveyor.

The Directors are of the opinion that the re-valued amounts are not in excess of the current market values of such properties.

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The details of the re-valued land and buildings of the Company as well as the extent of land, location and the number of buildings along with the relevant accounting policies are given in Note 20 of the Financial Statements and the Real Estate Portfolio on page 180 of the Annual Report.

INVESTMENTS

Details of investments held by the Company are disclosed in Note 23 to the Financial Statements.

STATED CAPITAL

In compliance with the Companies Act, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by the Company in respect of the issue of shares and calls on shares.

The total Stated Capital of the Company as at 31st March 2023 was Rs. 1,295 million (Rs. 1,295 million as at 31st March 2022) details of which are provided in Note 30 to the Financial Statements.

PROVISION FOR TAXATION

Provision for taxation has been computed at the rates given in Note 19 to the Financial Statements.

Surcharge Tax

Total Surcharge Tax liability of Rs. 96 million was recognized in the financial statements of financial year 2022/2023 for the Group and the Company as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

DONATIONS

Total donations made by the KFP Group during the year amounted to Rs. 2.6 million (Rs. 2.7 million in 2021/22). The KFP Group made this donation to the John Keells Foundation which is funded by JKH and its Subsidiaries and handles most of the JKH Group's CSR initiatives and activities.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no material Contingent Liabilities or Capital Commitments as at 31st March 2023 except those disclosed in Note 38 to 39 to the Financial Statements.

OUTSTANDING LITIGATION

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

RELATED PARTY TRANSACTIONS

The Company did not engage in any Non-Recurrent Related Party Transactions during the year under review. Recurrent Related Party Transactions exceeding 10% of the consolidated revenue as per the Audited Financial Statements as at 31st March 2022 have been disclosed in the table below;

Name of Related Party	Relationship	Nature of the Transactions	Aggregate Value of Related Party Transactions entered into During the Financial Year	Aggregate Value of Related Party Transactions as a % of Net Revenue	Terms and Conditions of the Related Party Transactions
Jaykay Marketing Services (Private) Limited	Company under common control	Sale of goods	Rs. 1,525,037,024.95	33.14	Ordinary course of business on an arm's length basis

The Directors confirm that transactions with Related Parties in terms of the Sri Lanka Accounting Standard LKAS 24- Related Party Disclosures have been detailed in Note 37 to the Financial Statements, as well as that the requirements as per the listing rules of the CSE has been complied with.

SHARE INFORMATION

An Ordinary Share of the Company was quoted on the CSE at Rs. 160 as at 31st March 2023 (Rs. 166.25 as at 31st March 2022). Information relating to earnings, dividends, net assets and market value per share is given in the Ten-Year Information at a Glance section on page 178, Key Figures and Ratios are given on page 179 of this report.

SHAREHOLDINGS

There were 1,208 registered shareholders, holding ordinary voting shares as at 31st March 2023 (1,268 registered shareholders as at 31st March 2022). The distribution of shareholdings including the percentage held by the public is given on page 176 of this report. The Company is listed in the Diri Savi Board of CSE.

FLOAT ADJUSTED MARKET CAPITALISATION

As at 31 March 2023 Keells Food Products PLC had a float adjusted market capitalisation of Rs 410 million, 10.05% Public shareholding which includes 1,206 Public shareholders. Thus, the Company is compliant under option 2 of the minimum threshold requirements for the Diri Savi Board of the CSE, as per section 7.6 of the listing rules of the CSE.

MAJOR SHAREHOLDERS

The list of the top twenty shareholders is given on page 177 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 CSE in a timely manner.

EQUITABLE TREATMENT TO ALL SHAREHOLDERS

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

DIRECTORATE

The Board of Directors of the Company who served during the year and as at the end of the Financial Year are given below:

- Mr. K N J Balendra (Non-Executive, Non-Independent)
- Mr. J G A Cooray (Non-Executive, Non-Independent)
- Mr. D P Gamlath (Non-Executive, Non-Independent)
- Ms. P N Fernando (Non-Executive, Non-Independent)
- Mr. P D Samarasinghe (Non-Executive, Independent)
- Ms. S De Silva (Non-Executive, Independent)
- Mr. I Samarajiva (Non-Executive, Independent)
- Mr. A E H Sanderatne (Non-Executive, Independent)

No other Director held office during the period under review.

Brief Profiles of the Directors as at 31st March 2023, appear on pages 79 to 80 of this Annual Report.

The Board of Directors of John Keells Foods India (Private) Limited who served during the year and as at the end of the Financial Year are given below.

- Mr. D P Gamlath (Non-Executive, Non-Independent)
- Ms. P N Fernando (Non-Executive, Non-Independent)
- Mr. K O Agrawal (Non-Executive, Independent)

No other Director held office during the period under review.

REVIEW OF THE PERFORMANCE OF THE BOARD

The performance of the Board has been appraised through a formalised process, where each individual Director anonymously comments on the dynamics of the Board. The process is described in the Corporate Governance Commentary section of the Annual Report.

BOARD SUB-COMMITTEES

Audit Committee

The Audit Committee of Keells Food Products PLC consists of four (4) Non-Executive Independent Directors:

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Mr. P D Samarasinghe (Chairperson), Ms. S De Silva, Mr. A E H Sanderatne and Mr. I Samarajiva

The report of the Audit Committee is given on pages 108 to 110 of this Annual Report. The Audit Committee has reviewed all other services provided by the External Auditors to the Group to ensure that their independence as Auditor has not been compromised.

Human Resources and Compensation Committee

As permitted by the Listing Rules of the CSE, the Human Resources and Compensation Committee of JKH, the Parent Company of Keells Food Products PLC, functions as the Human Resources and Compensation Committee of the Company.

The mandate and the scope of the Human Resources and Compensation Committee is set out in pages 62 to 63 of this Annual Report.

The Human Resources and Compensation Committee of JKH, the Parent Company comprises following Independent Non- Executive Directors:

Mr. D A Cabraal (Chairperson), Mr. N. Fonseka (appointed 27.06.2022), Dr. S S H Wijayasuriya and M.A Omar (resigned 27.06.2022)

Mr. K N J Balendra and Mr. J G A Cooray attended meetings by invitation. The Remuneration Policy of the Company is detailed in the Corporate Governance Report of this Annual Report.

Nominations Committee

The Nominations Committee of JKH, the Parent Company of Keells Food Products PLC, functions as the Nominations Committee of the Company. The mandate and the scope of the Nominations Committee is set out in pages 63 to 64 of this Annual Report.

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

Mr. D A Cabraal (Chairperson appointed on 27.06.2022), Dr. S S H Wijayasuriya, Ms. M P Perera, M.A Omar (resigned 27.06.2022) and Mr. K N J Balendra

Related Party Transactions Review Committee

As permitted by the Listing Rules of the CSE, the Related Party Transactions Review Committee of JKH, the Parent Company of Keells Food Products PLC, functions as the Related Party Transactions Review Committee of the Company and its Subsidiary.

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

Ms. M P Perera (Chairperson), Mr. A N Fonseka and Mr. D A Cabraal

Mr. K N J Balendra, and Mr. J G A Cooray attended meetings by invitation.

The mandate and the scope of the Related Party Transactions Review Committee is set out in pages 65 to 66 of this Annual Report.

Project Risk Assessment Committee

Project Risk Assessment Committee of JKH, the Parent Company of Keells Food Products PLC, functions as the Project Risk Assessment Committee of the Company and its Subsidiary. The Project Risk Assessment committee members of the Parent Company are as follows;

Dr. S S H Wijayasuriya (Chairperson), Mr. K N J Balendra, Mr. J G A Cooray and Ms. M P Perera

The Project Risk Assessment Committee policy is set out in page 66 to 67 of this Annual Report.

DIRECTORS INTEREST IN SHARES

The Director's (Including their spouses) Individual shareholdings in the Company as at 31st March 2023 and 31st March 2022 were as follows;

DIRECTORS INTEREST IN SHARES

Name of the Directors	31/03/2023 No. of Shares	31/03/2022 No. of Shares
Mr. K N J Balendra - Chairperson	-	-
Mr. J G A Cooray	-	-
Mr. D P Gamlath	-	-
Mr. P D Samarasinghe	-	-
Ms. S De Silva	-	-
Mr. A E H Sanderatne	-	-
Mr. I Samarajiva	-	-
Ms. P N Fernando	-	-

CEO'S INTEREST IN SHARES

CEO	31/03/2023 No. of Shares	31/03/2022 No. of Shares
Mr. V I Wickramaratne	-	-

RETIREMENT OF DIRECTORS BY ROTATION OR OTHERWISE AND THEIR RE-ELECTION

Ms. S De Silva and Mr. P D Samarasinghe who retire by rotation in terms of Article 83 of the Articles of Association of the Company and being eligible offer themselves for re-election.

REMUNERATION TO DIRECTORS

Directors' remuneration is established within a framework approved by the Board of KFP and the Human Resources and Compensation Committee of JKH. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The remuneration of the Non- Executive Directors is determined according to scales of payment decided upon by the Board previously. Details of Directors' fees and emoluments paid during the year are disclosed in the Note 16 and Note 37 to the Financial Statements.

DIRECTORS' MEETINGS

Details of Directors' meetings is presented on page 60 of this report.

INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act. In compliance with the requirements of the Companies Act this Annual Report contains particulars of entries made in the Interests Register. Particulars of entries in the Interests Register for the Financial Year 2022/23;

Interest in Contracts

The Directors have all made a General Disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act and no additional interests have been disclosed by any Director.

Indemnities and Remuneration

The Board approved the payment of revised Director fees and Board Sub Committee fees to the Non-Executive Directors of the Company, namely, Messrs. K N J Balendra, J G A Cooray, D P Gamlath, S De Silva, A E H Sanderatne, I Samarajiva, P D Samarasinghe and P N Fernando which fees are commensurate with the market and complexities of the business of the Company, with effect from 1st July 2022. The fees payable to Directors nominated by John Keells Holdings PLC were remitted to John Keells Holdings PLC rather than to individual Directors.

The contract and standard Director fees of Ms. S De Silva, Mr. A E H Sanderatne, Mr. I Samarajiva and Mr. P D Samarasinghe have been approved/ renewed by the Board.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

Standards Act No. 15 of 1995, the Listing Rules of the CSE and Code of Best Practice on Corporate Governance (2017) jointly issued by the SEC and CA Sri Lanka.

EMPLOYEE SHARE OPTION SCHEME (ESOP)

The Company does not offer its shares under an ESOP Scheme. The ESOP Scheme made available to the Senior Executives of the Company is from the Parent Company, JKH. The Company has not directly or indirectly provided funds to its employees to purchase shares under ESOP Scheme.

EMPLOYMENT

The Group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. During the year the Group instituted a Diversity, Equity and Inclusion team towards increasing the diversity of its workforce. The KFP Group is part of the 'ONE JKH' brand that consolidates its efforts towards diversity, equity and inclusion and reinforce its position on non-discrimination and equal opportunity.

Details of the Group's human resource initiatives are detailed in the Human Capital section of the Management Discussion and Analysis section of the Annual Report.

The number of persons directly employed by the Company and Group as at 31st March 2023 was 397 (2022- 399). There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

SUPPLIER POLICY

The KFP Group applies an overall policy of agreeing and clearly communicating the terms of payment as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items in accordance with these agreed terms. As at 31st March 2023, the trade and other payables of the Group and the Company amounted to Rs. 506 million (Rs. 527 million as at 31st March 2022) and Rs. 497 million (Rs. 522 million as at 31st March 2022), respectively.

The KFP Group strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into work-plans.

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity, debt and market price information as required by the listing requirements of the Colombo Stock Exchange are given under the Key Figures and Ratios of this Report on page 179.

CORPORATE GOVERNANCE

Corporate Governance practices and principles with respect to the management and operations of the KFP Group are set out on pages 54 to 78 of this Annual Report. The Directors confirm that the KFP Group is in compliance with the rules on Corporate Governance as per the listing rules of the CSE.

The Directors declare that:

- The Company and its Subsidiary have not engaged in any activities, which contravene laws and regulations.
- The Directors have declared all material interests in contracts involving the Company and its Subsidiary and refrained from voting on matters in which they were materially involved.
- The Company has made all endeavours to ensure the equitable treatment to all shareholders.
- The Company, being listed on the CSE, is compliant with the rules on Corporate Governance under the Listing Rules of the CSE with regard to the composition of the Board and its Sub Committees.
- 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 Company is in compliance with the Code of Best Practice on Corporate Governance (2017) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and CA Sri Lanka.

The Board of Directors is committed to maintaining an effective Corporate Governance structure and process. A full report on Corporate Governance is given on pages 54 to 78.

SUSTAINABILITY

This is the KFP Group's 8th Integrated Annual Report, which presents a comprehensive discussion on its financial and non-financial performance, in a bid to provide its stakeholders with holistic information relating to its value creation proposition through the six forms of capital reported under the International <IR> Framework.

The KFP Group pursues its business goals based on a model of stakeholder governance and findings from continuous stakeholder engagements have enabled the Group to focus on material issues and encapsulate a sustainable strategy.

RESEARCH AND DEVELOPMENT

The Group has an active approach to research and development and recognises the contribution that it can make to Group's intellectual property and operations. Significant expenditure has taken place over the years and substantial efforts will continue to be made to introduce intellectual property rights, develop new products and processes and to improve the existing products.

ENVIRONMENTAL PROTECTION

The Group complies with the relevant environmental laws, regulations and endeavours to comply with best practices applicable in the country of operation.

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.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group and the Company have 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.

ENTERPRISE RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risk faced by the Group, where annual risk reviews are carried out by the JKH Enterprise Risk Management Division and the risks are further reviewed each quarter by the Group and the headline risks are presented to the Audit Committee.

INTERNAL CONTROLS AND ASSURANCE

The Board, through the involvement of the JKH Business Process Review Division, takes steps to gain assurance on the effectiveness over the financial, operational and risk management control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Group, compliance with laws and regulations and established policies and procedures of the Group. The head of the JKH Business Process Review Division has direct access to the Chairperson of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee.

EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting period, which would have any material effect on the Company or on the Group other than those disclosed in Note 40 to the Financial Statements.

GOING CONCERN

In determining the basis of preparing the Financial Statements for the year ended 31st March 2023, based on available information, the management has assessed the prevailing macroeconomic challenges impacting the Group and the appropriateness of the use of the going concern basis.

It is the view of the management, there are no material uncertainties that may cast significant doubt on the KFP Group's ability to continue to operate as a going concern. In determining the above, significant management judgements, estimates and assumptions including the impact of the current macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities has been considered. The Group's outlook has been presented in the Chairperson's Message on page 8 and the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and hence adopting the going concern basis in preparing and presenting these Financial Statements.

AUDITORS

The Financial Statements for the year has been audited by Messrs. Ernst & Young, Chartered Accountants. The retiring Auditors, Messrs. Ernst & Young, Chartered Accountants, are willing to continue as Auditors of the Company, and a resolution proposing their reappointment will be tabled at the Annual General Meeting.

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

The Group works with two firms of Chartered Accountants namely, Ernst & Young and Luthra & Luthra Chartered Accountants. Details of audit fees are set out in Note 16 to the Financial Statements. The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report.

INDEPENDENT AUDITOR'S REPORT

The Independent Auditors' Report is found in the Financial Statements section of the Annual Report on pages 112 to 115.

APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors approved the Integrated Annual Report on the 22nd May 2023. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held as a virtual meeting on 26th June 2023 at 10.00 am.

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

By order of the Board.

D P Gamlath
Director

J G A Cooray
Director

Keells Consultants (Private) Limited
Secretaries

22nd May 2023

AUDIT COMMITTEE REPORT

The powers and responsibilities of the Audit Committee are governed by the Audit Committee Charter which is approved and adopted by the Board. The terms of reference comply with the requirements of the Corporate Governance Rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE). The Audit Committees functions and scope are in compliance with the requirements of the Code of Best Practice on Audit Committees and conducted it's affairs in compliance with the requirements of the Code of Best Practice on Audit Committees.

The Committee is tasked with assisting the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders in relation to the integrity of the Financial Statements of the Group, ensuring that a good financial reporting system is in place 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 reviews the design and operational effectiveness of internal controls and implement changes where required and ensures that the risk management processes are effective and adequate to identify and mitigate risks.

The Audit Committee also ensures that the conduct of the business is in compliance with applicable laws and regulations and policies of the Group. The Audit Committee also assesses the Group's ability to continue as a going concern in the foreseeable future.

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

In fulfilling its purpose, it is the responsibility of the Audit Committee to maintain a free and open communication with the Independent External Auditors, the outsourced Internal Auditors and the management of the Company and to ensure that all parties are aware of their responsibilities.

The Audit Committee is empowered to carry out any investigations it deems necessary and review all internal control systems and procedures, compliance reports, risk management reports etc. to achieve the objectives as stated above. The Committee has reviewed and discussed with management and Internal and External Auditors, the Audited Financial Statements, the quarterly unaudited Financial Statements as well as matters relating to the Company's internal control over financial reporting, key judgments and estimates in the preparation of Financial Statements and the processes that support certification of the Financial Statements by the Directors and the CFO.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board of Directors, appointed by and responsible to the Board of Directors.

The Audit Committee consists of four Independent, Non-Executive Directors in conformity with the Listing Rules of The Colombo Stock Exchange.

- Mr. P D Samarasinghe – Chairperson
- Ms. S De Silva
- Mr. A E H Sanderatne
- Mr. I Samarajiva

The Audit Committee comprises of individuals with extensive experience and expertise in the fields of Finance, Corporate Management and Marketing. The Chairperson of the Audit Committee is a Chartered Accountant.

A brief profile of each member of the Audit Committee is given on pages 79 and 80 of this report under the section the Board of Directors.

MEETINGS OF AUDIT COMMITTEE

The Audit Committee meets as often as may be deemed necessary or appropriate in its judgment and at least quarterly each year. During the year under review there were four (4) meetings, and the attendance of the committee members are given in the table below.

The Chief Executive Officer, the industry group President, the Chief Financial Officer and the Head of JKH Group Business Process Review attended such meetings by invitation and briefed the committee on specific issues.

The External Auditors and the Internal Auditors were also invited to attend meetings when necessary. The proceedings of the Audit Committee are reported to the Board of Directors by the Chairperson of the Audit Committee.

Audit Committee Attendance

Members	29/4/22	11/7/22	17/10/22	23/1/23
Mr. P D Samarasinghe	✓	✓	✓	✓
Ms. S De Silva	✓	✓	✓	✓
Mr. A E H Sanderatne	✓	✓	✓	✓
Mr. I Samarajiva	✓	✓	✓	✓

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

Oversight of Company and Consolidated Financial Statements

On 4th May 2023 the Committee along with the Independent External Auditors, who are responsible for expressing an opinion on the truth and fairness of the Financial Statements reviewed the Financial Statements of the Company and the Group and their conformity with the Sri Lanka Financial Reporting Standards (SLFRS) and the Sri Lanka Accounting Standards (LKAS).

The Committee also reviewed the Accounting Policies of the Company, and such other matters as are required to be discussed with the Independent External Auditors in compliance with Sri Lanka Auditing Standard 260 – Communication of Audit Matters with those charged with Governance. The quarterly Financial Statements were also reviewed by the Committee and recommended their adoption to the Board.

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

INTERNAL AUDIT

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

The internal audit function of the Company has been outsourced to Messrs. PricewaterhouseCoopers (PWC) , a firm of Chartered Accountants. The Audit Committee has agreed with the Internal Auditor as to the frequency of audits to be carried out, the scope of the audit, the areas to be covered and the fee to be paid for their services.

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

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

RISK AND CONTROL REVIEW

The Audit Committee has reviewed the Business Risk Management Process and Procedures adopted to manage and mitigate the effects of such risks and observed that the risk analysis exercise has been conducted. The key risks that could impact operations have been identified and wherever necessary, appropriate action has been taken to mitigate their impact to the minimum extent.

EXTERNAL AUDIT

The External Auditors of the Company Messrs. Ernst & Young Chartered Accountants submitted a detailed audit plan for the financial year 2022/23, which specified, inter alia, the areas of operations to be covered in respect of the Company. The audit plan specified 'areas of special emphasis' which had been identified from the last audit and from a review of current operations. The Audit committee had meetings with the External Auditor to review the scope, timelines of the audit plan and approach for the audits.

The areas of special emphasis have been selected due to the probability of error and the material impact it can have on the Financial Statements. At the conclusion of the audit, the External Auditors met with the Audit Committee to discuss and agree on the treatment of any matter of concern discovered in the course of the audit and also to discuss the Audit Management Letters. Actions taken by the Management in response to the issues raised were discussed with the Audit Committee. There were no issues of significant importance during the year under review.

AUDIT COMMITTEE REPORT

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

The Audit Committee has received a declaration from Messrs. Ernst & 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 re-appointment as Auditors of the Company for the financial year commencing 1st April 2023, at the next Annual General Meeting.

COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

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

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

SUPPORT TO THE COMMITTEE

The Committee received excellent support and timely information at all times from the Management during the year to enable them to carry out its duties and responsibilities effectively.

EVALUATION OF COMMITTEE

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

CONCLUSION

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group in the implementation of the accounting policies and operational controls, provide reasonable assurance that the affairs of the Group are managed in accordance with accepted policies and that assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Group's Internal and External Auditors have been effective and independent throughout the period under review.

P D Samarasinghe
Chairperson, Audit Committee

22nd May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act No. 07 of 2007 ('Companies Act'), is set out in the Independent Auditors 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;

- A Statement of Income, which presents a true and fair view of the profit or loss of the Company for the financial year; and
- A Statement of Other Comprehensive Income; and
- A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year.

The Directors have ensured that, in preparing these Financial Statements:

- Appropriate accounting policies, have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained; and
- All applicable accounting standards as relevant have been applied; and
- Reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company and its Subsidiary have adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company and its Subsidiary maintain sufficient accounting records to disclose, with reasonable accuracy of 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 its Subsidiary, and in this regard to give a proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider being appropriate to enable them to give their audit opinion.

Further, as required by section 56(2) of the Companies Act, No. 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 for all the dividend paid during the year ended 31st March 2023.

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

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiary, all contributions, levies and taxes payable on behalf of the employees of the Company and its Subsidiary, and all other known statutory dues as were due and payable by the Company and its Subsidiary as at the date of the Statement of Financial Position have been paid or, where relevant provided for except as specified in Note 38 to the Financial Statements covering contingent liabilities.

By Order of the Board

Keells Consultants (Private) Limited
22nd May 2023

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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Colombo 10, Sri Lanka

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TO THE SHAREHOLDERS OF KEELLS FOOD PRODUCTS PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Keells Food Products PLC (''the Company''), and the consolidated financial statements of the Company and its subsidiary (''the Group''), which comprise the statement of financial position as at 31 March 2023, and the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards..

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (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
Revenue from Contracts with Customers	
The Group derived its revenue of Rs. 6.444 Mn from the manufacture and sale of goods as disclosed in Notes 7 & 13 to the financial statements. Revenue was a key audit matter due to: • The significance of the reported revenue coupled with the significant increase (40%) in revenue recorded by the Group during the year.	Our audit procedures amongst others included the following; • Evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to sale of goods. Tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition. • Performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenues. • Tested the appropriateness of revenue recognized during the year, by reviewing relevant sales contracts, shipping documents and other relevant supporting documents. • Performed procedures to test revenue cutoff at the period-end date to determine whether transactions are recorded in the proper period and to the proper accounts. We also assessed the adequacy of the disclosures in respect of revenue in Notes 7 and 13 to the financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Existence and carrying value of inventory</td></tr>
<tr><td>As at 31 March 2023, the carrying value of inventory amounted to Rs. 1,194 Mn after considering a provision of Rs. 12.6 Mn for slow moving and obsolete inventory as disclosed in note 26 to the financial statements.

Existence and carrying value of inventory was a key audit matter due to:
• Materiality of the reported amount, which represents 28% of the Group's total assets.
• The significant increase (104%) in the inventory balance recorded by the Group as at the year end.
• Judgements applied by the management in determining the adjustments required for the measurement of inventory on account of spoilages, shelf life and other industry factors.</td><td>Our audit procedures included the following:
• Observing a sample of test counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the period end.
• Testing whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items.
• Understanding the process followed by the management for valuation of inventories & to identify adjustments required for the measurement of inventory on account of spoilages, shelf life and other industry factors.
• Assessing the reasonableness of management judgements applied in determining provision for slow-moving and obsolete inventory. Our assessment included the basis applied to determine inventory spoilages, shelf-life and perishables.

We also evaluated the adequacy of the disclosures in note 26 to the financial statements.</td></tr>
<tr><td colspan="2">Assessment of impairment of goodwill</td></tr>
<tr><td>The Group's Statement of Financial Position includes an amount of Rs. 242 Mn relating to Goodwill acquired through the purchase of the manufacturing facility at Pannala (CGU).

The CGU with goodwill is tested annually for impairment based on its recoverable amount. The recoverable amount is estimated using value in use (VIU) computations prepared by Management based on discounted future cash-flows.

Assessment of impairment of this CGU with goodwill was a key audit matter due to:
• The degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value in use calculations considering current economic conditions.

As disclosed in note 22.2, key areas of significant judgments, estimates and assumptions included key inputs and assumptions related to the value in use computations of future cash flows, growth rate over forecast period, discount rate and terminal growth rate including the potential impacts of the current economic conditions prevailing in the country.</td><td>Our audit procedures included the following:
• We gained an understanding of how management has forecast its discounted future cash flows. Our procedures included understanding how management has considered the potential impact of the current economic conditions prevailing in the country in forecasting the cash flows.
• We checked the calculations of the discounted future cash flows and cross checked the data used by management to relevant underlying accounting records, to evaluate their completeness and accuracy.
• Based on the best available information up to the date of our report, we assessed the reasonableness of significant assumptions used by the Company, in particular those relating to the growth rates and discount rate of the estimated future cashflows.

We assessed the adequacy of the disclosures made in Note 22.2 in the financial statements.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

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

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 auditors' report is 2097.

Ernst & Young

22nd May 2023
Colombo

INCOME STATEMENT

		Group		Company	
For the year ended 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Continuing operations					
Goods transferred at a point in time	13.1	**6,444,270**	4,601,230	**6,444,270**	4,601,230
Total Revenue from contracts with customers		**6,444,270**	4,601,230	**6,444,270**	4,601,230
Cost of sales		**(5,057,947)**	(3,459,894)	**(5,057,947)**	(3,459,894)
Gross profit		**1,386,323**	1,141,336	**1,386,323**	1,141,336
Other operating income	14.1	**23,821**	28,314	**23,821**	28,314
Selling and distribution expenses		**(742,768)**	(447,018)	**(742,768)**	(447,018)
Administrative expenses		**(289,705)**	(222,002)	**(288,924)**	(220,411)
Other operating expenses	14.2	**(147,194)**	(105,734)	**(147,194)**	(105,734)
Results from operating activities		**230,477**	394,896	**231,258**	396,487
Finance cost	15.1	**(172,323)**	(12,376)	**(172,323)**	(12,376)
Finance income	15.1	**10,961**	7,245	**10,961**	7,245
Net finance cost		**(161,362)**	(5,131)	**(161,362)**	(5,131)
Profit before tax	16	**69,115**	389,765	**69,896**	391,356
Tax expense	19.1	**(55,170)**	(60,192)	**(55,170)**	(60,192)
Profit for the year		**13,945**	329,573	**14,726**	331,164
Attributable to:					
Equity holders of the parent		**13,945**	329,573		
		13,945	329,573		
Earnings per share					
Basic (Rs.)	17.1	**0.55**	12.92		
Diluted (Rs.)	17.2	**0.55**	12.92		
Dividend per share (Rs.)	18	**2.00**	9.50		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 123 to 175 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Profit for the year		**13,945**	329,573	**14,726**	331,164
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		**(4,223)**	713	**-**	-
Net other comprehensive income/ (expense) to be reclassified to Income Statement in subsequent periods		**(4,223)**	713	**-**	-
Other comprehensive income not to be reclassified to Income Statement in subsequent periods					
Revaluation gain on land and buildings	20.1	**105,561**	40,022	**105,561**	40,022
Re-measurement gain/ (loss) on defined benefit plans	34.3	**38,792**	(8,186)	**38,792**	(8,186)
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		**144,353**	31,836	**144,353**	31,836
Tax (charge)/ reversal on other comprehensive income	19.2	**(91,103)**	(5,730)	**(91,103)**	(5,730)
Other comprehensive income for the year, net of tax		**49,027**	26,819	**53,250**	26,106
Total comprehensive income for the year, net of tax		**62,972**	356,392	**67,976**	357,270
Attributable to:					
Equity holders of the parent		**62,972**	356,392		
		62,972	356,392		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 123 to 175 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	20.1	**1,702,029**	1,502,851	**1,702,029**	1,502,851
Right-of-use assets	21.1.1	**5,040**	7,437	**5,040**	7,437
Intangible assets	22.1	**248,809**	247,621	**248,809**	247,621
Non-current financial assets	24	**48,504**	51,284	**48,504**	51,284
Other non-current assets	25	**22,900**	8,421	**22,900**	8,421
		2,027,282	1,817,614	**2,027,282**	1,817,614
Current assets					
Inventories	26	**1,194,409**	585,727	**1,194,409**	585,727
Trade and other receivables	27	**685,366**	621,526	**685,366**	621,526
Amounts due from related parties	37.1	**235,714**	196,158	**235,714**	196,158
Income tax receivables	19.3.2	**31,861**	-	**31,861**	-
Other current assets	28	**77,794**	108,608	**77,794**	108,608
Cash in hand and at bank	29	**50,269**	109,901	**50,108**	108,787
		2,275,413	1,621,920	**2,275,252**	1,620,806
Total assets		**4,302,695**	3,439,534	**4,302,534**	3,438,420
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	30	**1,294,815**	1,294,815	**1,294,815**	1,294,815
Revenue reserve	31	**399,669**	503,344	**399,671**	502,565
Other components of equity	32	**413,792**	394,472	**422,624**	399,081
Total equity		**2,108,276**	2,192,631	**2,117,110**	2,196,461
Non-current liabilities					
Interest- bearing loans and borrowings	33.2	**-**	42,213	**-**	42,213
Lease liabilities	21.1.2	**5,019**	7,448	**5,019**	7,448
Deferred tax liabilities	19.4	**286,507**	150,551	**286,507**	150,551
Employee benefit liabilities	34.1	**114,081**	144,120	**114,081**	144,120
		405,607	344,332	**405,607**	344,332
Current liabilities					
Trade and other payables	35	**506,023**	527,166	**497,311**	522,222
Amounts due to related parties	37.2	**14,998**	21,856	**14,998**	21,856
Income tax liabilities	19.3	**-**	40,153	**-**	40,153
Interest- bearing loans and borrowings	33.2	**67,213**	43,455	**67,213**	43,455
Lease liabilities	21.1.2	**1,391**	1,243	**1,391**	1,243
Other current liabilities	36	**36,341**	23,437	**36,341**	23,437
Bank overdrafts	29	**1,162,846**	245,261	**1,162,563**	245,261
		1,788,812	902,571	**1,779,817**	897,627
Total equity and liabilities		**4,302,695**	3,439,534	**4,302,534**	3,438,420

I certify that the Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

P N Fernando
Chief Financial Officer/ Director

The Board of Directors is responsible of these Financial Statements.

D P Gamlath
Director

J G A Cooray
Director

22nd May 2023
Colombo

The accounting policies and notes as set out in pages 123 to 175 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

		Group		Company	
For the year ended 31st March	Note	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
OPERATING ACTIVITIES					
Profit before working capital changes	A	**424,607**	630,632	**425,388**	634,117
(Increase) / Decrease in inventories		**(606,975)**	(46,266)	**(606,975)**	(46,266)
(Increase) / Decrease in trade and other receivables		**(71,041)**	(159,979)	**(71,041)**	(159,979)
(Increase) / Decrease in amounts due from related parties		**(39,556)**	(33,339)	**(39,556)**	(33,339)
(Increase) / Decrease in other current assets		**30,814**	(93,743)	**30,814**	(93,743)
Increase / (Decrease) in trade and other payables		**(21,143)**	160,355	**(24,911)**	157,556
Increase / (Decrease) in amounts due to related parties		**(6,858)**	12,577	**(6,858)**	12,577
Increase / (Decrease) in other current liabilities		**12,904**	5,580	**12,904**	5,580
Cash generated from / (used in) operations		**(277,248)**	475,817	**(280,235)**	476,503
Finance income received		**4,390**	3,727	**4,390**	3,727
Finance cost paid*		**(171,384)**	(11,322)	**(171,384)**	(11,322)
Tax paid	19.3	**(82,331)**	(52,498)	**(82,331)**	(52,498)
Surcharge tax paid		**(95,923)**	-	**(95,923)**	-
Gratuity paid/transfers	34.3	**(549)**	(7,010)	**(549)**	(7,010)
Net cash flow generated from/(used in) operating activities		**(623,045)**	408,714	**(626,032)**	409,400
INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	20.1	**(289,824)**	(123,486)	**(289,824)**	(123,486)
Purchase of intangible assets	22.1	**(2,271)**	(3,345)	**(2,271)**	(3,345)
Proceeds from sale of property, plant and equipment		**13,885**	160	**13,885**	160
Net cash flow used in investing activities		**(278,210)**	(126,671)	**(278,210)**	(126,671)
FINANCING ACTIVITIES					
Dividend paid	18.1	**(51,000)**	(242,250)	**(51,000)**	(242,250)
Proceeds from short-term interest bearing loans and borrowings	33.1	**25,000**	-	**25,000**	-
Repayment of long-term interest bearing loans and borrowings	33.1	**(43,455)**	(43,455)	**(43,455)**	(43,455)
Payment of lease liabilities	21.1.2	**(2,284)**	(2,124)	**(2,284)**	(2,124)
Net cash flow used in financing activities		**(71,739)**	(287,829)	**(71,739)**	(287,829)

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(972,994)**	(5,786)	**(975,981)**	(5,100)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		**(135,360)**	(130,287)	**(136,474)**	(131,374)
Effect of exchange rate changes		**(4,223)**	713	**-**	-
CASH AND CASH EQUIVALENTS AT THE END		**(1,112,577)**	(135,360)	**(1,112,455)**	(136,474)
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Cash in hand and at bank	29	**50,269**	109,901	**50,108**	108,787
Unfavourable balances					
Bank overdrafts	29	**(1,162,846)**	(245,261)	**(1,162,563)**	(245,261)
Cash and cash equivalents**		**(1,112,577)**	(135,360)	**(1,112,455)**	(136,474)
Note A					
Profit before working capital changes					
Profit before tax		**69,115**	389,765	**69,896**	391,356
Adjustments for:					
Finance income	15.1	**(10,961)**	(7,245)	**(10,961)**	(7,245)
Finance cost	15.1	**172,323**	12,376	**172,323**	12,376
Depreciation of property, plant and equipment	20.1	**194,264**	174,733	**194,264**	174,733
Amortisation of right of use assets	21.1.1	**1,461**	1,461	**1,461**	1,461
Amortisation of intangible assets	22.1	**1,083**	402	**1,083**	402
Net (gain)/ loss on disposal of property, plant and equipment	14	**(11,942)**	376	**(11,942)**	376
Employees benefit provisions and related costs	34.2	**9,302**	21,583	**9,302**	21,583
Provision /(reversal) for slow moving inventory		**(1,707)**	3,678	**(1,707)**	3,678
Provision /(reversal) for impairment of trade receivable		**2,073**	(1)	**2,073**	(1)
Impairment of plant, machinery and equipment	14.2	**-**	31,397	**-**	31,397
Impairment of investment in subsidiary	14.2	**-**	-	**-**	1,894
Share based payment expense/(reversal)	32.3	**(404)**	2,107	**(404)**	2,107
		424,607	630,632	**425,388**	634,117

* Finance cost paid represent the finance cost incurred (Note 15) excluding interest on lease liabilities (Note 21.1.2)

** Cash and cash equivalents in the Statement of Financial Position comprises of cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the Cash Flow Statement, cash and cash equivalents consists 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 in pages 123 to 175 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Stated capital Rs. '000	Revaluation reserve Rs. '000	Foreign currency translation reserve Rs. '000	Other capital reserve Rs. '000	Revenue reserve Rs. '000	Total equity Rs. '000
Group						
As at 01st April 2021	1,294,815	305,456	(5,322)	58,700	422,733	2,076,382
Profit for the year	-	-	-	-	329,573	329,573
Other comprehensive income/ (expense)	-	32,818	713	-	(6,712)	26,819
Total comprehensive income	-	32,818	713	-	322,861	356,392
Share based payment transactions	-	-	-	2,107	-	2,107
Final dividend paid - 2020/21	-	-	-	-	(63,750)	(63,750)
Interim dividend paid -2021/22	-	-	-	-	(178,500)	(178,500)
As at 01st April 2022	1,294,815	338,274	(4,609)	60,807	503,344	2,192,631
Adjustment for Surcharge Tax	-	-	-	-	(95,923)	(95,923)
As at 01st April 2022 (Adjusted)	1,294,815	338,274	(4,609)	60,807	407,421	2,096,708
Profit for the year	-	-	-	-	13,945	13,945
Other comprehensive income/ (expense)	-	23,947	(4,223)	-	29,303	49,027
Total comprehensive income	-	23,947	(4,223)	-	43,248	62,972
Share based payment transactions	-	-	-	(404)	-	(404)
Final dividend paid - 2021/22	-	-	-	-	(12,750)	(12,750)
Interim dividend paid -2022/23	-	-	-	-	(38,250)	(38,250)
As at 31st March 2023	1,294,815	362,221	(8,832)	60,403	399,669	2,108,276

	Stated capital Rs. '000	Revaluation reserve Rs. '000	Other capital reserve Rs. '000	Revenue reserve Rs. '000	Total equity Rs. '000
Company					
As at 01st April 2021	1,294,815	305,456	58,700	420,363	2,079,334
Profit for the year	-	-	-	331,164	331,164
Other comprehensive income/(expense)	-	32,818	-	(6,712)	26,106
Total comprehensive income	-	32,818	-	324,452	357,270
Share based payment transactions	-	-	2,107	-	2,107
Final dividend paid - 2020/21	-	-	-	(63,750)	(63,750)
Interim dividend paid -2021/22	-	-	-	(178,500)	(178,500)
As at 01st April 2022	1,294,815	338,274	60,807	502,565	2,196,461
Adjustment for Surcharge Tax	-	-	-	(95,923)	(95,923)
As at 01st April 2022 (Adjusted)	1,294,815	338,274	60,807	406,642	2,100,538
Profit for the year	-	-	-	14,726	14,726
Other comprehensive income/(expense)	-	23,947	-	29,303	53,250
Total comprehensive income	-	23,947	-	44,029	67,976
Share based payment transactions	-	-	(404)	-	(404)
Final dividend paid - 2021/22	-	-	-	(12,750)	(12,750)
Interim dividend paid -2022/23	-	-	-	(38,250)	(38,250)
As at 31st March 2023	1,294,815	362,221	60,403	399,671	2,117,110

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 123 to 175 form an integral part of these Financial Statements.

INDEX TO NOTES

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Reporting entity

Keells Food Products PLC (PQ3) is a Public Limited Liability Company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The registered office of the Company is located at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, and the principal place of business is at No. 16, Minuwangoda Road, Ekala, Ja-Ela. The Company also has a manufacturing facility at the Makandura Industrial Estate in Pannala.

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

Consolidated Financial Statements

The Financial Statements for the year ended 31st March 2023, comprise "the Company" referring to Keells Food Products PLC as the Holding Company and "the Group" referring to the Company that has been consolidated therein.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31st March 2023 were authorised for issue by the Board of Directors on 22nd May 2023.

Principal activities and nature of operations

Company

The principal activities of the Company were manufacture and sale of processed meats, raw meats, crumbed products and other convenient food products which remained unchanged during the year.

Subsidiary

The principal activity of John Keells Foods India (Private) Limited is marketing of processed and formed meat products, which remained unchanged during the year.

The Subsidiary did not carry out any commercial operations during the year ended 31st March 2023.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility report in this Annual report.

Statements of compliance

The Financial Statements which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, 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 (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No.07 of 2007.

2. GROUP INFORMATION

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.

3. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for Land and Buildings that has been measured at fair value through Other Comprehensive Income.

Going concern

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

In determining the basis of preparing the Financial Statements for the year ended 31st March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and there effect on the Group Companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The management has formed judgment that the Company, it's subsidiary have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business

NOTES TO THE FINANCIAL STATEMENTS

continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above, significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and hence adopting the going concern basis in preparing and presenting these Financial Statements.

Presentation and functional currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.), which is 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 financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupees thousand (Rs. '000) except when otherwise indicated.

Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended if necessary, where relevant for better presentation and to be comparable with those of the current year.

Provision for Taxation

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group.

Other Significant accounting policies not covered with individual notes

Following accounting policies which have been applied consistently by the Group, are considered to be significant but are not covered in any other sections.

Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/ non-current classification. An asset is considered as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is considered as current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

Foreign currency translation, foreign currency transactions and balances

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), which is the Company's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the Group operate.

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

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

Foreign operations

The Statement of Financial Position and Income Statement of the overseas Subsidiary which is deemed to be foreign operation is translated to Sri Lankan Rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to Other Comprehensive Income. On disposal of a foreign entity, the deferred cumulative amount recognised in Other Comprehensive Income relating to that particular foreign operation is recognised in the Income Statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1st April 2012 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Prior to 1st April 2012, the date of transition to SLFRS/ LKAS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the Parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the Parent and no further translation differences occur.

During the year the extent of fluctuation in the Sri Lankan Rupee exchange rate to the Indian Rupee can be observed by looking at the two extremes in the exchange rates that prevailed during the year which is the highest and lowest rate set during the year. This is especially important when deducting the potential foreign currency translation impact that could affect the Group's Financial Statements.

The exchange rates applicable during the period were as follows:

	Statement of Financial Position		Income Statement	
Currency	Closing rate as at 31st March		Average rate	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Indian Rupee	**4.01**	4.02	**4.01**	2.80

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Group requires 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

NOTES TO THE FINANCIAL STATEMENTS

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 has 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 - Note 20

b) Impairment of non-financial assets - Note 23 and 22.2

c) Taxes - Note 19

d) Employee benefit liability - Note 34

e) Share based payments - Note 32.3

f) Goodwill - Note 22.2

g) Provision for expected credit losses of trade receivables and contract assets - Note 10.1.3

h) Leases - Estimating the incremental borrowing rate - Note 21

i) Going Concern- Note 3

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS has 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.

Amendments to LKAS 1 : Classification of liabilities as Current or Non-current.

Amendments to LKAS 1 : Disclosure of Accounting Policies.

Amendments to LKAS 8 : Definition of Accounting Estimates

Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

7 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 organised into business units based on their products and services and has two operating business segments as manufacturing and trading.

The measurement policies the Group uses for segment reporting under SLFRS 8 are the same as those used in its Financial Statements.

Segment information

Segment information has been prepared in conformity with the Accounting Policies adopted for preparing and presenting the Financial Statements of the Group.

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

7.1 BUSINESS SEGMENT ANALYSIS -GROUP

The following tables present revenue and profit information regarding the Group's operating segments.

	2023			2022		
For the year ended 31st March	Manufacturing Rs. '000	Trading Rs. '000	Total Rs. '000	Manufacturing Rs. '000	Trading Rs. '000	Total Rs. '000
Goods transferred at a point in time	**6,199,106**	**245,164**	**6,444,270**	4,255,116	346,114	4,601,230
Total segment revenue from contracts with customers	**6,199,106**	**245,164**	**6,444,270**	4,255,116	346,114	4,601,230
Segment Results	**1,293,100**	**93,223**	**1,386,323**	1,033,600	107,736	1,141,336
Other operating income	**23,821**	**-**	**23,821**	28,314	-	28,314
Selling and distribution expenses	**(714,118)**	**(28,650)**	**(742,768)**	(413,192)	(33,826)	(447,018)
Administrative expenses	**(279,972)**	**(9,733)**	**(289,705)**	(203,221)	(18,781)	(222,002)
Other operating expenses	**(145,834)**	**(1,360)**	**(147,194)**	(73,296)	(1,041)	(74,337)
Impairment of plant, machinery and equipment	**-**	**-**	**-**	(31,397)	-	(31,397)
Operating profit	**176,997**	**53,480**	**230,477**	340,808	54,088	394,896
Finance cost	**(162,286)**	**(10,037)**	**(172,323)**	(12,376)	-	(12,376)
Finance income	**10,961**	**-**	**10,961**	7,245	-	7,245
Net finance cost	**(151,325)**	**(10,037)**	**(161,362)**	(5,131)	-	(5,131)
Profit before tax	**25,672**	**43,443**	**69,115**	335,677	54,088	389,765
Tax expense			**(55,170)**			(60,192)
Profit/(Loss) after tax			**13,945**			329,573
Segment Assets	**4,231,145**	**71,550**	**4,302,695**	3,376,452	63,082	3,439,534
Segment Liabilities	**2,194,419**	**-**	**2,194,419**	1,213,437	33,466	1,246,903
Purchase and construction of PPE*	**289,824**	**-**	**289,824**	123,486	-	123,486
Addition to IA**	**2,271**	**-**	**2,271**	3,345	-	3,345
Depreciation of PPE*	**194,264**	**-**	**194,264**	174,433	-	174,433
Amortisation of IA**	**1,083**	**-**	**1,083**	402	-	402
Amortisation of ROUA***	**1,461**	**-**	**1,461**	1,461	-	1,461
Employees benefit provisions and related costs	**9,302**	**-**	**9,302**	21,583	-	21,583

PPE* - Property plant and equipment **IA**** - Intangible assets **ROUA***** - Right-of-use assets

Non-current assets have not been allocated to the trading segment.

The presentation and classification of the Business Segment Analysis at the previous year have been amended, where relevant for the better presentation and to be comparable with those of the current year.

NOTES TO THE FINANCIAL STATEMENTS

7.2 Disaggregation of revenue- Geographical segment analysis (by location of customers)

The disaggregation of revenue based on geographical segment is discussed in Note. 13.2

8. BASIS OF CONSOLIDATION

Accounting Policy

The Consolidated Financial Statements comprise the Financial Statements of the Company and its Subsidiary as at the end of the reporting period. The Financial Statements of the Subsidiary is prepared in compliance with the Group's accounting policies unless otherwise stated.

Control over an investee

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

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

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

The following Companies have been consolidated based on above criteria.

Name of the Company	Effective Holding
John Keells Foods India (Private) Ltd	100%

John Keells Foods India (Private) Ltd was incorporated in India on the 7th of April 2008.

Subsidiaries

The Subsidiary is fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Financial Statements of the Subsidiary is prepared for the same reporting period as the Company, which is 12 months ending 31st March, using consistent accounting policies.

The total profits and losses for the year of the Company and of its Subsidiary included in consolidation are shown in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and all assets and liabilities of the Company and of its Subsidiary included in consolidation are shown in the Consolidated Statement of Financial Position.

The Consolidated Statements of Cash Flows includes the Cash Flows of the Company and the Subsidiary.
A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a Subsidiary, it:

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

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.

9. BUSINESS COMBINATIONS AND GOODWILL

Accounting Policy

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the Income Statement. The Group elects on a transaction by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement, in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

9. BUSINESS COMBINATIONS AND GOODWILL (CONTD.)

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

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

Common Control Business Combinations

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

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

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

The amount has been recognised as the 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. (Note 22.2)

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.

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has loans and other receivables, trade and other receivable and cash and that arise directly from its operations.

The Group's principal financial liabilities, comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support it's operations.

The financial risk governance framework provides assurance to the senior management that the financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group is exposed to market risk, credit risk and liquidity risk.

10.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents the Group's exposure to credit risk arises from default of the counter-party. The Group manages its operations to avoid any excessive concentration of counter-party risk and the Group takes all reasonable steps to ensure the counter-parties, fulfil their obligations.

The Group’s exposure to credit risk is influenced by the individual characteristics of each customer. The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different rearrangement of homogeneous groups. Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts to our customers on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

10.1.1 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 2023	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Group							
Loans to executives	10.1.2	48,504	-	19,782	-	68,286	7
Trade and other receivables	10.1.3	-	-	665,584	-	665,584	65
Amounts due from related parties	10.1.4	-	-	-	235,714	235,714	23
Cash in hand and at bank	10.1.5	-	50,269	-	-	50,269	5
Total credit risk exposure		48,504	50,269	685,366	235,714	1,019,853	100

NOTES TO THE FINANCIAL STATEMENTS

10.1.1 Credit risk exposure (Contd.)

As at 31st March 2022	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Group							
Loans to executives	10.1.2	51,284	-	18,843	-	70,127	7
Trade and other receivables	10.1.3	-	-	602,683	-	602,683	62
Amounts due from related parties	10.1.4	-	-	-	196,158	196,158	20
Cash in hand and at bank	10.1.5	-	109,901	-	-	109,901	11
Total credit risk exposure		51,284	109,901	621,526	196,158	978,869	100

As at 31st March 2023	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Company							
Loans to executives	10.1.2	48,504	-	19,782	-	68,286	7
Trade and other receivables	10.1.3	-	-	665,584	-	665,584	65
Amounts due from related parties	10.1.4	-	-	-	235,714	235,714	23
Cash in hand and at bank	10.1.5	-	50,108	-	-	50,108	5
Total credit risk exposure		48,504	50,108	685,366	235,714	1,019,692	100

As at 31st March 2022	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Company							
Loans to executives	10.1.2	51,284	-	18,843	-	70,127	7
Trade and other receivables	10.1.3	-	-	602,683	-	602,683	62
Amounts due from related parties	10.1.4	-	-	-	196,158	196,158	20
Cash in hand and at bank	10.1.5	-	108,787	-	-	108,787	11
Total credit risk exposure		51,284	108,787	621,526	196,158	977,755	100

10.1.2 Loans to executives

Loans to executives is made up of vehicle loans which are given to staff at executive level and above. The Company has obtained the necessary Power of Attorney/promissory notes as collateral for the loans granted.

10.1.3 Trade and other receivables

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Neither past due nor impaired				
01–60 days	**625,034**	585,039	**625,034**	585,039
Past due but not impaired				
61–90 days	**34,944**	17,192	**34,944**	17,192
91–120 days	**5,041**	191	**5,041**	191
121–180 days	**565**	261	**565**	261
Allowance for expected credit losses	**3,294**	1,221	**3,294**	1,221
Gross carrying value	**668,878**	603,904	**668,878**	603,904
Less: Allowance for expected credit losses				
Individually assessed Allowance for expected credit losses	**(3,294)**	(1,221)	**(3,294)**	(1,221)
Total	**665,584**	602,683	**665,584**	602,683

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.

The Group has obtained bank guarantees from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

10.1.4 Amounts due from related parties

The balance consists of amounts due from the Parent, Companies under common control, Joint Ventures and Associates of the Parent.

NOTES TO THE FINANCIAL STATEMENTS

10.1.5 Cash and cash equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counter-party, where taking into consideration, where relevant, the rating or financial standing of the counter-party, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure. The Group held a net negative cash and cash equivalents of Rs. 1,113 Mn as at 31st March 2023 (2021/22 net negative cash and cash equivalents of Rs. 135 Mn). The Company held a net negative cash and cash equivalents of Rs. 1,112 Mn as at 31 March 2023 (2021/22 net negative cash and cash equivalents of Rs.136 Mn).

10.2 Liquidity risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that there is 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 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 and overdrafts over a broad spread of maturities.

10.2.1 Net debt/ (cash)

		Group		Company	
As at 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cash in hand and at bank	29	**50,269**	109,901	**50,108**	108,787
Total liquid Assets		**50,269**	109,901	**50,108**	108,787
Interest-bearing borrowings - non-current	33.2	**-**	42,213	**-**	42,213
Interest-bearing borrowings - current	33.2	**67,213**	43,455	**67,213**	43,455
Bank overdrafts	29	**1,162,846**	245,261	**1,162,563**	245,261
Total liquid liabilities		**1,230,059**	330,929	**1,229,776**	330,929
Net debt		**1,179,790**	221,028	**1,179,668**	222,142

10.2.2 Liquidity risk management

Group has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Group attempt to match cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the sale of assets or other borrowings.

The Group continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities. Constant dialogue between Group companies and banks regarding financing requirements, ensures that availability within each single borrower limit is optimised by efficiently reallocating under-utilised facilities within the Group.

The daily cash management processes at the business units include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted (principle plus interest) payments.

As at 31st March 2023	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	72,096	-	-	-	-	-	72,096
Lease liability	2,411	2,545	1,407	578	625	27,958	35,524
Trade and other payables	506,023	-	-	-	-	-	506,023
Amounts due to related parties	14,998	-	-	-	-	-	14,998
Bank overdrafts	1,162,846	-	-	-	-	-	1,162,846
	1,758,374	2,545	1,407	578	625	27,958	1,791,487

As at 31st March 2022	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	51,510	44,579	-	-	-	-	96,089
Lease liability	2,252	2,345	2,442	1,264	393	8,265	16,961
Trade and other payables	527,166	-	-	-	-	-	527,166
Amounts due to related parties	21,856	-	-	-	-	-	21,856
Bank overdrafts	245,261	-	-	-	-	-	245,261
	848,045	46,924	2,442	1,264	393	8,265	907,333

Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted (principle plus interest) payments.

As at 31st March 2023	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	72,096	-	-	-	-	-	72,096
Lease liability	2,411	2,545	1,407	578	625	27,958	35,524
Trade and other payables	497,311	-	-	-	-	-	497,311
Amounts due to related parties	14,998	-	-	-	-	-	14,998
Bank overdrafts	1,162,563	-	-	-	-	-	1,162,563
	1,749,379	2,545	1,407	578	625	27,958	1,782,492

NOTES TO THE FINANCIAL STATEMENTS

10.2.2 Liquidity risk management (Contd.)

As at 31st March 2022	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	51,510	44,579	-	-	-	-	96,089
Lease liability	2,252	2,345	2,442	1,264	393	8,265	16,961
Trade and other payables	522,222	-	-	-	-	-	522,222
Amounts due to related parties	21,856	-	-	-	-	-	21,856
Bank overdrafts	245,261	-	-	-	-	-	245,261
	843,101	46,924	2,442	1,264	393	8,265	902,389

10.3 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 risk comprises of the following risks:

* Interest rate risk
* Currency risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2023 and 2022.

The analysis excludes the impact of movements in market variables on; the carrying values of other post-retirement obligations; provisions; and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analyses;

- 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 2023 and 2022.

10.3.1 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 and Company's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates.

The Central Bank of Sri Lanka (CBSL) continued the tightening of monetary policy stance during current financial year, resulting in a sharp upward trend in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored in to secondary market yields on Government Securities. The shortage of liquidity in the first half of the financial year further put pressure on market interest rates. There was a decrease in interest rates in the last three months of the financial year on account of the reduced Government debt financing requirements and improved liquidity position in the country. The Group had mitigated the risk of increasing interest rates by balancing its portfolio of borrowings and moving a sizeable portion of its Sri Lankan Rupee borrowings on a long-term basis prior to the sharp upward movement in interest rates.

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).

Rupee borrowings	Increase/ (decrease) in basis points	Group Effect on profit before tax Rs. '000	Company Effect on profit before tax Rs. '000
For the year ended 31st March			
2023	**+1576**	**14,328**	**14,328**
	-1576	**(14,328)**	**(14,328)**
2022	+270	2,299	2,299
	-270	(2,299)	(2,299)

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

10.3.2 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. Group treasury (JKH) analyses the market condition of foreign exchange and provides market updates to the JKH Group Executive Committee (GEC), with the use of external consultants' advice. Based on the suggestions made by JKH Group treasury, the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decisions rights given by the Board of Directors.

The Sri Lankan Rupee depreciated significantly in the first two quarters of the financial year and witnessed significant volatility during certain periods of the financial year. The foreign exchange markets were largely inactive and liquid during the first half of the financial year amidst significant foreign exchange shortages and macroeconomic uncertainty. However, from the second half of the financial year, the foreign exchange liquidity improved on the back of a trade surplus given the sharp contraction of imports due to the fiscal and monetary policy measures adopted in the country and the continuation of import restrictions at the time. The Rupee appreciated during the final quarter with the improving foreign exchange liquidity situation in the country and the impending EFF from the International Monetary Fund (IMF), at the time. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" as a result of the conscious strategy of maintaining US Dollar cash balances at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams. The Group was able to navigate the liquidity challenges through matching its obligations with foreign currency inflows, as far as possible and permissible, while also using the strength of the Group balance sheet to manage the situation.

NOTES TO THE FINANCIAL STATEMENTS

10.3.2.1 Effects of currency translation

For purposes of Keells Food Products PLC's Consolidated Financial Statements, the income and expenses and the assets and liabilities of the subsidiary located outside Sri Lanka are converted into Sri Lankan Rupees (LKR). Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes –EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

	Group		
Exchange rate	Increase/ (decrease) in exchange rate	Effect on profit before tax (Rs.)	Effect on equity (Rs.)
2023			
INR	**3.39%**	**(24,363)**	**19,327**
	-3.39%	**24,363**	**(19,327)**
2022			
INR	0.08%	(106)	(1,155)
	-0.08%	106	1,155

Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

10.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	Group		Company	
	2023	2022	2023	2022
Debt/ Equity	**58.34%**	15.09%	**58.09%**	15.07%

11 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 and are reflected in this note. Besides this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- Investment in Subsidiary - Note 23.1
- Property, plant and equipment under revaluation model - Note 20
- Financial instruments and related policies (including those carried at amortised cost) - Note 12

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 financial assets fair value through Other Comprehensive Income, and for non-recurring measurements, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and buildings, and significant liabilities. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides after discussion with the external valuers, which valuation techniques and inputs to used for individual assets and liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

Fair Value Hierarchy

11.1 Non-Financial Assets -Group and Company

As at 31st March	Notes	Level 1		Level 2		Level 3	
		2023	2022	2023	2022	2023	2022
Assets measured at fair value (Rs. '000)							
Land and buildings on freehold land	20.1	**-**	-	**-**	-	**539,148**	422,188
Buildings on leasehold land	20.1	**-**	-	**-**	-	**314,790**	313,227
Total		**-**	-	**-**	-	**853,938**	735,415

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

12 FINANCIAL INSTRUMENTS AND RELATED POLICIES

Accounting Policy

Financial Instruments — Initial recognition and subsequent measurement

Financial Assets- Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no re-cycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Debt Instruments
Financial assets at amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired.

The Group's financial assets at amortised cost is disclosed under note 12.1.

Financial assets-de-recognition
Financial assets are de-recognised 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 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS AND RELATED POLICIES (CONTD.)

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.

Financial liabilities-Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below;

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Income Statement.

De-recognition

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

Offsetting of financial instruments

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

12.1 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9 .

Financial assets at amortised cost

		Group		Company	
As at 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Financial instruments in non-current assets					
Non-current financial assets	24	**48,504**	51,284	**48,504**	51,284
Financial instruments in current assets					
Trade and other receivables	27	**685,366**	621,526	**685,366**	621,526
Amounts due from related parties	37.1	**235,714**	196,158	**235,714**	196,158
Cash in hand and at bank	29	**50,269**	109,901	**50,108**	108,787
		971,349	927,585	**971,188**	926,471
Total		**1,019,853**	978,869	**1,019,692**	977,755

Financial liabilities measured at amortised cost

		Group		Company	
As at 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Financial instruments in non-current liabilities					
Interest-bearing loans and borrowings	33.2	**-**	42,213	**-**	42,213
Lease liabilities	21.1.2	**5,019**	7,448	**5,019**	7,448
		5,019	49,661	**5,019**	49,661
Financial instruments in current liabilities					
Trade and other payables	35	**506,023**	527,166	**497,311**	522,222
Amounts due to related parties	37.2	**14,998**	21,856	**14,998**	21,856
Interest-bearing loans and borrowings	33.2	**67,213**	43,455	**67,213**	43,455
Lease liabilities	21.1.2	**1,391**	1,243	**1,391**	1,243
Bank overdrafts	29	**1,162,846**	245,261	**1,162,563**	245,261
		1,752,471	838,981	**1,743,476**	834,037
Total		**1,757,490**	888,642	**1,748,495**	883,698

The following methods and assumptions were used to estimate the fair values;

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology.

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in ordinary transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

12.1 Financial assets and liabilities by categories (Contd.)

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The input to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgement include consideration of input such as liquidity risk, credit risk and volatility.

13 REVENUE

Accounting Policy

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Services transferred overtime

Under SLFRS 15, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

Turnover based taxes

Turnover based taxes include Value Added Tax and Social Security Contribution Levy. The Company pays such taxes in accordance with the respective statutes.

		Group		Company	
	For the year ended 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
13.1	Goods transferred at a point in time	**6,444,270**	4,601,230	**6,444,270**	4,601,230

		Group		Company	
	For the year ended 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
13.2	**Disaggregation of revenue**				
	Geographical segment analysis (by location of customers)				
	Sri Lanka	**6,289,232**	4,539,730	**6,289,232**	4,539,730
	Others	**155,038**	61,500	**155,038**	61,500
	Total Revenue	**6,444,270**	4,601,230	**6,444,270**	4,601,230

13.3 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.

13.4 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. The Group has not held contact assets at the reporting date.

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. The Group has not held contact liabilities at the reporting date.

13.5 Performance obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

Manufacturing and trading

Manufacturing and Trading segments focused on manufacturing of a wide range of processed meats, raw meats, crumbed products and other convenient food products. 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.

14 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Accounting Policy

Other income and expense

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 are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

		Group		Company	
	For the year ended 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
14.1	Other operating income				
	Exchange gain	**-**	24,828	**-**	24,828
	Net gain on disposal of property, plant and equipment	**11,942**	-	**11,942**	-
	Unclaimed dividend	**664**	515	**664**	515
	Sundry income	**11,215**	2,971	**11,215**	2,971
		23,821	28,314	**23,821**	28,314

			Group		Company	
	For the year ended 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
14.2	Other operating expenses					
	Spoilage and wastage		**70,628**	54,894	**70,628**	54,894
	Bank charges		**2,620**	1,804	**2,620**	1,804
	Exchange loss		**18,774**	-	**18,774**	-
	Net loss on disposal of property, plant and equipment		**-**	376	**-**	376
	Provision/ (reversal) for closure expenses of subsidiary		**(15,369)**	17,263	**(15,369)**	15,369
	Impairment of investment in subsidiary		**-**	-	**-**	1,894
	Impairment of plant, machinery and equipments	20.1	**-**	31,397	**-**	31,397
	Social security contribution levy		**70,541**	-	**70,541**	-
			147,194	105,734	**147,194**	105,734

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCE INCOME AND FINANCE COST

Accounting Policy

Finance income

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree that are recognised in the income statement.

Finance income from financial instruments includes, notional interest pertaining to loan granted to executive staff.

Interest income is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash receipt though 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 under finance income in the Income Statement.

Finance cost

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) 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 exactly 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 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	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
15.1	Finance Income and Finance Cost				
	Finance Income				
	Interest income	**708**	471	**708**	471
	Finance income from other financial instruments	**10,253**	6,774	**10,253**	6,774
	Total finance income	**10,961**	7,245	**10,961**	7,245
	Finance cost				
	Interest expense on lease liabilities	**(939)**	(1,054)	**(939)**	(1,054)
	Interest expense on borrowings - Long-term	**(15,819)**	(7,527)	**(15,819)**	(7,527)
	Interest expense on borrowings - Short-term	**(155,565)**	(3,795)	**(155,565)**	(3,795)
	Total finance cost	**(172,323)**	(12,376)	**(172,323)**	(12,376)
	Net finance cost	**(161,362)**	(5,131)	**(161,362)**	(5,131)

16 PROFIT BEFORE TAX

Accounting Policy

Expenditure recognition

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

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

Profit before tax is stated after charging all expenses including the following;

	Group		Company	
For the year ended 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Profit before tax				
Remuneration to Non- Executive Directors	**10,920**	7,200	**10,920**	7,200
Auditors' fees and expenses - Audit Service	**1,143**	748	**901**	748
- Non-Audit Service	**228**	202	**228**	202
Costs of defined employee benefits				
Employee defined benefit provisions and related cost	**19,429**	18,687	**19,429**	18,687
Other employee benefit provision and related cost	**(10,127)**	2,896	**(10,127)**	2,896
Defined contribution plan cost - EPF and ETF	**50,519**	45,398	**50,519**	45,398
Staff expenses	**674,991**	542,106	**674,991**	542,106
Depreciation of property, plant and equipment	**194,264**	174,733	**194,264**	174,733
Amortisation of right of use assets	**1,461**	1,461	**1,461**	1,461
Amortisation of intangible assets	**1,083**	402	**1,083**	402
Donations	**2,614**	2,693	**2,614**	2,693
Net Loss on disposal of property, plant and equipment	**-**	376	**-**	376
Impairment of investment in subsidiary	**-**	-	**-**	1,894
Impairment of plant, machinery and equipment	**-**	31,397	**-**	31,397

17 EARNINGS PER SHARE (EPS)

Accounting Policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

			Group	
	For the year ended 31st March	Notes	2023	2022
17.1	**Basic earnings per share**			
	Profit attributable to equity holders of the parent (Rs.'000)		**13,945**	329,573
	Weighted average number of ordinary shares (No.'000)	17.3	**25,500**	25,500
	Basic earnings per share (Rs.)		**0.55**	12.92

			Group	
	For the year ended 31st March	Notes	2023	2022
17.2	**Diluted earnings per share**			
	Profit attributable to equity holders of the parent (Rs. '000)		**13,945**	329,573
	Adjusted weighted average number of ordinary shares (No. '000)	17.3	**25,500**	25,500
	Diluted earnings per share (Rs.)		**0.55**	12.92

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	Group 2023 No. '000	Group 2022 No. '000
17.3 Amount used as denominator		
Ordinary shares at the beginning of the year	**25,500**	25,500
Ordinary shares at the end of the year	**25,500**	25,500
Weighted average number of ordinary shares outstanding during the year	**25,500**	25,500
Adjusted Weighted average number of ordinary shares*	**25,500**	25,500

* There are no effects of dilution to the weighted average number of shares at present.

18 DIVIDEND PER SHARE (DPS)

Equity dividend on ordinary shares

For the year ended 31st March	Group 2023 Rs.	Group 2023 Rs. '000	Group 2022 Rs.	Group 2022 Rs. '000
Declared and paid during the year				
Final dividend*	**0.50**	**12,750**	2.50	63,750
Interim dividend	**1.50**	**38,250**	7.00	178,500
Total dividend	**2.00**	**51,000**	9.50	242,250

*"Previous year's final dividend paid in the current year.

19 TAXES

Accounting Policy

Current tax

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

Current income tax relating to items recognised directly in equity, is recognised in equity and for items recognised in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

The management has used its judgement 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 mechanisms.

The Group has confirmed with the arm's length principles relating to Transfer Pricing, as prescribed in the Inland Revenue Act.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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 tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deducible temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

- 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.

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

Sales tax

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

- Where the sales tax incurred on a purchase of 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 that are stated with the amount of sales tax included.

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

Surcharge tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8th April 2022 and is applicable to the John Keells Group as the collective taxable income of Companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 Mn, for the year of assessment 2020/21. The liability is computed at the rate of 25% on the taxable income of the individual Company within the Group of Companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 01st April 2020.

Total Surcharge Tax liability of Rs. 96 Mn was recognized in the financial statements of financial year 2022/2023 for the Group and the Company as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

The Group and the Company were liable to pay Surcharge Tax on the respective individual entity level. The Group share of total Surcharge Tax liability of Rs. 96 Mn has been included in Surcharge Tax charge recognised in the Group Statement of Changes in Equity as an adjustment to the 01 April 2022 opening retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

	For the year ended 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
19.1	Tax expense					
	Income tax					
	Tax charge for the year	19.5	**721**	72,972	**721**	72,972
	Under/ (over) provision for previous years	19.5	**9,596**	406	**9,596**	406
			10,317	73,378	**10,317**	73,378
	Deferred Tax					
	Relating to origination and (reversal) of temporary differences	19.2	**44,853**	(13,186)	**44,853**	(13,186)
			55,170	60,192	**55,170**	60,192

Applicable Rates of Income Tax

Income tax has been provided as per the its rates legislated in accordance with the Inland Revenue Act No 24 of 2017 and it's amendments (Note 19.5).

	For the year ended 31st March	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
19.2	Deferred tax expense				
	Income Statement				
	Deferred tax expense arising from;				
	Accelerated depreciation for tax purposes	**70,599**	(7,615)	**70,599**	(7,615)
	Employee benefit liability	**(17,772)**	(5,571)	**(17,772)**	(5,571)
	Business loss carried forward	**(7,974)**		**(7,974)**	
	Deferred tax charge/ (reversal) directly to Income Statement	**44,853**	(13,186)	**44,853**	(13,186)
	Other Comprehensive Income				
	Actuarial gain/(loss)	**9,489**	(1,474)	**9,489**	(1,474)
	Revaluation of building	**50,601**	2,606	**50,601**	2,606
	Capital gain in relation to revalued land	**31,013**	4,598	**31,013**	4,598
	Deferred tax charge/ (reversal) directly to other comprehensive income	**91,103**	5,730	**91,103**	5,730
	Total deferred tax charge/ (reversal)	**135,956**	(7,456)	**135,956**	(7,456)

Deferred tax has been computed at the rate of 30% (2021/22-18%).

The deferred tax charge in the Income Statement includes Rs. 53mn for the Group and the Company respectively relating to the tax rate differential. The deferred tax charge in the Other Comprehensive Income statement includes Rs. 48mn for the Group and the Company respectively relating to the tax rate differential.

	As at 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
19.3.1	**Income tax liabilities**					
	At the beginning of the year		**40,153**	19,273	**40,153**	19,273
	Charge for the year	19.5	**10,317**	73,378	**10,317**	73,378
	Payments during the year		**(82,331)**	(52,498)	**(82,331)**	(52,498)
	Transferred to Income tax receivables	19.3.2	**31,861**	-	**31,861**	-
	At the end of the year		**-**	40,153	**-**	40,153
19.3.2	**Income tax receivables**					
	Transferred from Income tax liabilities	19.3.1	**31,861**	-	**31,861**	-
	At the end of the year		**31,861**	-	**31,861**	-

As at 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
19.4 Deferred tax liabilities					
At the beginning of the year		**150,551**	158,007	**150,551**	158,007
Reversal for the year	19.2	**135,956**	(7,456)	**135,956**	(7,456)
At the end of the year		**286,507**	150,551	**286,507**	150,551
The closing deferred tax asset and liability balances relate to the following;					
Accelerated depreciation for tax purposes		**225,195**	98,214	**225,195**	98,214
Employee benefit liability		**(34,224)**	(22,580)	**(34,224)**	(22,580)
Business loss carried forward		**(7,974)**	-	**(7,974)**	-
Revaluation gained in relation to buildings		**15,325**	22,006	**15,325**	22,006
Capital gain in relation to revalued land		**88,185**	52,911	**88,185**	52,911
At the end of the year		**286,507**	150,551	**286,507**	150,551

Accounting judgement, estimates and assumptions

The Group is subject to income tax and other taxes including VAT and SSCL. 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 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.

For the year ended 31st March	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
19.5 Reconciliation between current tax charge and the accounting profit				
Profit before tax	**69,115**	389,765	**69,896**	391,356
Income not liable for income tax	**(1,227)**	(515)	**(1,227)**	(515)
Other consolidated adjustments	**781**	1,591	**-**	-
Adjusted accounting profit chargeable to income taxes	**68,669**	390,841	**68,669**	390,841
Disallowable expenses	**221,476**	268,922	**221,476**	268,922
Allowable expenses	**(287,151)**	(263,560)	**(287,151)**	(263,560)
Taxable income	**2,994**	396,203	**2,994**	396,203
Income tax charged at;				
Standard rate - 30% and 24% (2022-24%)	**463**	7,459	**463**	7,459
- 18% (2022-14%)	**254**	64,774	**254**	64,774
- 14% (2022-14%)	**4**	739	**4**	739
Current tax charge	**721**	72,972	**721**	72,972
Under/ (over) provision for previous years	**9,596**	406	**9,596**	406
Total tax charge	**10,317**	73,378	**10,317**	73,378

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
For the year ended 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
19.6 Reconciliation between tax expense and the product of accounting profit				
Adjusted accounting profit chargeable to income taxes	**68,669**	390,843	**68,669**	390,843
Tax effect on chargeable profits	**16,820**	72,006	**16,820**	72,006
Tax effect on non deductible expenses	**1,181**	10,344	**1,181**	10,344
Under provision for previous years	**9,596**	406	**9,596**	406
Tax effect on gratuity transfers	**696**	34	**696**	34
Tax effect on deductions claimed	**(21,958)**	(14,462)	**(21,958)**	(14,462)
Net tax effect on rate differentials	**53,604**	-	**53,604**	-
Net tax effect of unrecognised deferred tax assets for the year	**(4,769)**	(8,136)	**(4,769)**	(8,136)
Tax expense	**55,170**	60,192	**55,170**	60,192

19.7 Income tax rates of off-shore Subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Private) Ltd	25%

20 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Basis of measurement

Property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group de-recognises 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 Changes in Equity under asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing Land and Building by a professional valuer at least once every 5 years.

Capital Work-in-Progress is stated at cost including borrowing cost capitalised where applicable.

De-recognition
An item of property, plant and equipment is de-recognised 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 de-recognised.

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

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

The estimated useful life of assets is as follows:

Assets	Years
Buildings on freehold land	30
Buildings on leasehold land	20-25
Plant and machinery	2-20
Computer equipment	5
Furniture and fittings	8
Motor vehicles	5
Freezers	10-12
Office equipment	6
Other equipment	2

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

NOTES TO THE FINANCIAL STATEMENTS

20 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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 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.

Impairment of property, plant and equipment

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

Impairment losses are recognised in the Income Statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve though 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 or its remaining useful life.

20 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

20.1 Group and Company

As at 31st March	Land and buildings Rs. '000	Buildings on leasehold land Rs. '000	Plant and machinery Rs. '000	Furniture, fittings and equipment Rs. '000	Motor vehicles Rs. '000	Freezers Rs. '000	Other assets Rs. '000	Capital work-in-progress Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Group and Company										
Cost or valuation										
At the beginning of the year	423,788	316,744	1,498,069	71,348	674	169,535	35,833	3,052	**2,519,043**	2,419,918
Additions	48,344	8,449	202,613	7,012	2,590		20,816	-	**289,824**	123,486
Disposals	-		(56,858)	(4,804)	(674)	(3,818)	(1,149)	-	**(67,303)**	(2,704)
Impairment	-	-	-	-	-	-	-	-	**-**	(42,296)
Transfers	-	1,894	1,158	-	-	-	-	(3,052)	**-**	
Transfers on revaluation	(4,658)	(13,105)	-	-	-	-	-	-	**(17,763)**	(19,383)
Revaluations	76,077	29,484	-	-	-	-	-	-	**105,561**	40,022
At the end of the year	543,551	343,466	1,644,982	73,556	2,590	165,717	55,500	-	**2,829,362**	2,519,043
Accumulated depreciation										
At the beginning of the year	(1,600)	(3,217)	(876,224)	(53,747)	(674)	(52,480)	(28,250)	-	**(1,016,192)**	(873,909)
Charge for the year	(7,461)	(13,697)	(143,388)	(7,206)		(15,844)	(6,668)	-	**(194,264)**	(174,733)
Disposals	-	-	56,061	4,803	674	2,673	1,149	-	**65,360**	2,168
Impairment	-	-	-	-	-	-	-	-	**-**	10,899
Transfers on revaluation	4,658	13,105	-	-	-	-	-	-	**17,763**	19,383
At the end of the year	(4,403)	(3,809)	(963,551)	(56,150)	-	(65,651)	(33,769)	-	**(1,127,333)**	(1,016,192)
Carrying value										
As at 31st March 2023										
At Valuation	539,148	314,790	-	-	-	-	-	-	**853,938**	
At Cost	-	24,867	681,431	17,406	2,590	100,066	21,731	-	**848,091**	
	539,148	339,657	681,431	17,406	2,590	100,066	21,731	-	**1,702,029**	
Carrying value										
As at 31st March 2022										
At Valuation	422,188	313,227	-	-	-	-	-	-		735,415
At Cost	-	300	621,845	17,601	-	117,055	7,583	3,052		767,436
	422,188	313,527	621,845	17,601	-	117,055	7,583	3,052		1,502,851

NOTES TO THE FINANCIAL STATEMENTS

20.2 Revaluation of land and buildings

Accounting judgements, estimates and assumptions

The Group / Company uses the revaluation model of measurement of land and buildings. The Group / Company engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. 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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was carried out on 31st December 2022.

The valuations as of 31st December 2022 contained a higher estimation uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

The changes in fair value recognised in Other Comprehensive Income and in the Statement of Changes in Equity.

Details of Land and Building stated at valuation are indicated below;

Property	Location	Method of valuation	Effective date of valuation	Independent Valuer
Land and Building at Keells Food Products PLC	Ja-Ela	Open market value	31st December 2022	Messrs. P.B Kalugalagedera Chartered Valuation Surveyor
Land and Building at Keells Food Products PLC	Pannala	Open market value	31st December 2022	

Type of Asset	Valuation technique	Significant unobservable inputs	Group and Company Estimates for unobservable inputs 2023	 2022	Sensitivity of fair value to unobservable inputs
Land- Ja-Ela	Open market value*	Estimated price per perch	Rs. 700,000/-	Rs. 600,000/-	Positively correlated sensitivity
Land- Pannala	Open market value	Estimated price per perch	Rs. 70,000/-	Rs. 65,000/-	
Buildings on freehold land	Open market value	Estimated price per square feet	Rs. 3,250/- Rs. 400/-	Rs. 3,150/- Rs. 400/-	
Buildings on leasehold land	Open market value	Estimated price per square feet**	Rs.150/- Rs.10,000/-	Rs.150/- Rs.10,000/-	

Summary description of valuation methodology;

***Open Market Value method (OMV)**

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

**The impact of the lease on the land, has been adjusted in arriving at the final valuation of building on leasehold land at Pannala.

20.3 Carrying value of total assets

The carrying amount of revalued buildings if they were carried at cost less depreciation, would be as follows;

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cost	**451,575**	394,782	**451,575**	394,782
Accumulated depreciation	**(143,124)**	(124,760)	**(143,124)**	(124,760)
Carrying value	**308,451**	270,022	**308,451**	270,022

20.4 Property, plant and equipment with a cost of Rs. 387 Mn (2021/22 -Rs. 232 Mn) have been fully depreciated and continue to be in use by the Group and the Company.

20.5 During the financial year, the Group and the Company acquired property, plant and equipment to the aggregate value of Rs. 290 Mn (2021/22 -Rs. 123 Mn) cash payments amounting to Rs. 290 Mn (2021/22 -Rs. 123 Mn) were made during the year for purchase of property, plant and equipment.

20.6 During the year, borrowing costs had not been capitalized.

21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Accounting policy

Right-of-use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group uses 6 months AWPLR based plus margin when calculating the incremental borrowing rate which reflects the average rate of borrowings in the Group. Quarterly calculated incremental borrowing rates were used to discount new leases obtained during the year.

NOTES TO THE FINANCIAL STATEMENTS

21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTD.)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Businesses continued to respond with specific plans to enable smooth and uninterrupted functioning of businesses and operations, despite some of the immediate term challenges due to constraints on supply chains and electricity and fuel disruptions, whilst maintaining strict adherence to Government directives and health and safety considerations. The Group managed to circumvent these issues without a significant impact on output. As such, the Group has not determined impairment as at the reporting date.

21.1 Amounts recognised in the Statement of Financial Position and Income Statement

Set out below, are the carrying amounts of the Group and company's right of use assets and the movements for the period ended 31 March.

	As at 31st March	Group and Company 2023 Rs. '000	2022 Rs. '000
21.1.1	**Lease hold properties - Right- of-use assets**		
	Cost		
	At the beginning of the year	**11,568**	11,568
	Additions	**-**	-
	Reassessment	**(936)**	-
	At the end of the year	**10,632**	11,568
	Accumulated amortisation		
	At the beginning of the year	**(4,131)**	(2,670)
	Amortisation	**(1,461)**	(1,461)
	At the end of the year	**(5,592)**	(4,131)
	Carrying value	**5,040**	7,437

Set out below, are the carrying amounts of the Group and Company's lease liabilities and the movements for the year ended 31st March.

	As at 31st March	Group and Company 2023 Rs. '000	2022 Rs. '000
21.1.2	**Lease hold properties - Lease liabilities**		
	At the beginning of the year	**8,691**	9,761
	Additions	**-**	-
	Reassessment	**(936)**	-
	Finance charge on lease liabilities	**939**	1,054
	Payments	**(2,284)**	(2,124)
	At the end of the year	**6,410**	8,691
	Payable within one year	**1,391**	1,243
	Payable after one year	**5,019**	7,448
	Total lease liability as at 31 March	**6,410**	8,691

The following are the amounts recognised in Income Statement

For the year ended	Group and Company 2023 Rs. '000	2022 Rs. '000
Amortisation expense of right-of-use assets	**1,461**	1,461
Finance charge on lease liabilities	**939**	1,054
Total amount recognised in Income Statement	**2,400**	2,515

During the year the Company hasn't recognised expenses relating to short-term leases and leases of low value assets in Income Statement.

The Group had total cash outflows for leases of Rs.2.2 Mn in 2022/23. (2021/22 - Rs. 2.1 Mn).

The maturity analysis of lease liabilities is disclosed in Note 10.2.2.

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

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against Income Statement in the year in which the expenditure is incurred.

Useful economic lives, 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 treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

22 INTANGIBLE ASSETS (CONTD.)

Intangible assets with indefinite useful lives and goodwill 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 an intangible asset and is amortised on a straight line basis over its useful life.

Software license

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

A summary of the policies applied to the Company's intangible assets are as follows;

Intangible Assets	Useful life	Acquired/ Internally generated	Impairment testing
Purchased Software	4-6 years	Acquired	When indicators of impairment exists, the amortisation method is reviewed at each financial year end.
Software License	4-6 years	Acquired	

De-recognition

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 de-recognised.

	Group and Company			
As at 31st March Rs. '000	Purchased software	Goodwill	2023 Total	2022 Total
22.1 Intangible assets				
Cost				
At the beginning of the year	7,020	242,268	**249,288**	245,943
Additions	2,271	-	**2,271**	3,345
Disposals	-	-	**-**	-
At the end of the year	9,291	242,268	**251,559**	249,288
Accumulated amortisation and impairment				
At the beginning of the year	(1,667)	-	**(1,667)**	(1,265)
Amortisation	(1,083)	-	**(1,083)**	(402)
Disposals	-	-	**-**	-
At the end of the year	(2,750)	-	**(2,750)**	(1,667)
Carrying value				
As at 31 March 2023	6,541	242,268	**248,809**	
As at 31 March 2022	5,353	242,268		247,621

Group Intangible assets with a cost of Rs. 1.3 Mn (2022 - Rs. 1.3 Mn) have been fully amortised and continue to be in used by the Group.

	Group and Company	
As at 31st March	Net carrying value of goodwill 2023 Rs. '000	Net carrying value of goodwill 2022 Rs. '000
22.2 Goodwill	**242,268**	242,268

Accounting judgements, estimates and assumptions

Goodwill acquired through business combination is due to the purchase of the manufacturing facility at Pannala (CGU) of D&W Food Products (Pvt) Ltd and goodwill is tested for impairment as follows;

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 and its cost to sell or its Value In Use (VIU) the fair value and cost 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 cost from 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 the restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

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 recognized in respect of goodwill as at 31st March 2023.

The key assumptions used to determine the recoverable amount for the cash generating units as follows;

Gross margins

The basis used to determine the value assigned to the budgeted gross margins, is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rates based on projected economic conditions.

Volume growth

A 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 reasonable growth rate.

Sensitivity of assumptions used

The Management tested several scenarios based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to Value in Use which was computed.

NOTES TO THE FINANCIAL STATEMENTS

23 INVESTMENTS IN SUBSIDIARY

Accounting Policy

Investment in Subsidiary is initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of an investment in Subsidiary is immediately recognised in the Income Statement. Following the initial recognition, the Investment in Subsidiary is carried at cost less any accumulated impairment losses.

		Company	
	As at 31st March	2023 Rs. '000	2022 Rs. '000
23.1	**Carrying value**		
	Investments in Subsidiary	**220,292**	220,292
	Less		
	Allowance for impairment of investment	**(220,292)**	(220,292)
	Effective Holding %	**100%**	100%

The Subsidiary Company John Keells Foods India (Private) Limited was restructured in June 2010. The carrying value of investment was fully impaired during the financial year 2021/22.

24 NON-CURRENT FINANCIAL ASSETS

Accounting Policy

Non-current financial assets within the scope of SLFRS 9 are classified as financial assets at initial recognition.

			Group		Company	
	As at 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Loans to executives	24.1	**48,504**	51,284	**48,504**	51,284
			48,504	51,284	**48,504**	51,284
24.1	**Loans to executives**					
	At the beginning of the year		**70,127**	62,930	**70,127**	62,930
	Loans granted		**62,730**	34,025	**62,730**	34,025
	Recoveries		**(64,571)**	(26,828)	**(64,571)**	(26,828)
	At the end of the year		**68,286**	70,127	**68,286**	70,127
	Receivable within one year	27	**19,782**	18,843	**19,782**	18,843
	Receivable after one year					
	Receivable between one and five years	24	**48,504**	51,284	**48,504**	51,284
			68,286	70,127	**68,286**	70,127

25 OTHER NON-CURRENT ASSETS

Accounting Policy

"Group classifies all non-financial non-current assets that are not expected to be realised within twelve months under other non-current assets.

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Pre-paid staff cost*	**22,900**	8,421	**22,900**	8,421
	22,900	8,421	**22,900**	8,421

*Prepaid staff cost represents the prepaid potion of the loans granted to the staff.

26 INVENTORIES

Accounting Policy

Inventories are valued at the lower of cost or 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.

Significant accounting judgements, estimates and assumptions

Inventory provisions are recognized in cases where the expected net realisable value of inventory is lower than its carrying amount, including provisions for obsolete, slow moving stock and waste. The provision is based on periodical reviews performed by the Group. All inventory provisioning requires a level of judgement on how the condition of inventory is impacted by spoilages, shelf – life of products and other industry factors.

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

Inventory	Basis of Valuation
Raw materials,machinery spares and other inventories	At actual cost on weighted average basis
Manufactured finished goods, retail inventories and work-in-progress	At the actual cost of direct materials, direct labour and an appropriate portion of fixed production overheads based on normal operating capacity excluding borrowing cost

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Inventories				
Raw materials	**417,952**	246,708	**417,952**	246,708
Work-in-progress	**76,304**	43,031	**76,304**	43,031
Finished goods	**422,731**	125,767	**422,731**	125,767
Spare parts	**265,177**	122,055	**265,177**	122,055
Goods in transit	**23,346**	61,593	**23,346**	61,593
Other inventories	**1,505**	886	**1,505**	886
	1,207,015	600,040	**1,207,015**	600,040
Provision for slow-moving inventories	**(12,606)**	(14,313)	**(12,606)**	(14,313)
	1,194,409	585,727	**1,194,409**	585,727

The amount recognised as an expense for inventories carried at net realisable value of Rs. 70.6 Mn (2022 - Rs. 54.9 Mn) by the Group and the Company. This is recognised as other operating expenses. (Refer Note 14.2)

NOTES TO THE FINANCIAL STATEMENTS

27 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are classified as current assets if payment is due within one year.

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. In 2022/23, Rs.3,291,481/- (2021/22 Rs.1,220,829/-) was recognised as provision for expected credit losses on trade receivables.

		Group		Company	
As at 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade receivables		**660,523**	602,411	**660,523**	602,411
Less: Allowance for expected credit losses		**(3,294)**	(1,221)	**(3,294)**	(1,221)
		657,229	601,190	**657,229**	601,190
Other receivables		**8,355**	1,493	**8,355**	1,493
Loans to executives	24.1	**19,782**	18,843	**19,782**	18,843
		685,366	621,526	**685,366**	621,526

28 OTHER CURRENT ASSETS

Accounting Policy

Group classifies all non-financial current assets under other current assets.

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Pre-payment and non-cash receivables	**77,794**	108,608	**77,794**	108,608
	77,794	108,608	**77,794**	108,608

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
29 CASH IN HAND AND AT BANK				
Cash in hand	**1,043**	967	**1,043**	967
Cash at bank	**49,226**	108,934	**49,065**	107,820
Cash in hand and at bank - favourable	**50,269**	109,901	**50,108**	108,787
Bank overdraft	**(1,162,846)**	(245,261)	**(1,162,563)**	(245,261)
Cash in hand and at bank - unfavourable	**(1,162,846)**	(245,261)	**(1,162,563)**	(245,261)

Security and repayment terms of short-term borrowings - Group and Company

Type of facility	Nature of facility	Facility amount Rs. '000	Security	Repayment terms
Short-term	Bank overdraft	1,515,000	Clean basis	On demand

	2023		2022	
As at 31st March	Number of shares No. '000	Value of shares Rs. '000	Number of shares No. '000	Value of shares Rs. '000
30 **STATED CAPITAL**				
Fully paid ordinary shares				
At the beginning of the year	**25,500**	**1,294,815**	25,500	1,294,815
At the end of the year	**25,500**	**1,294,815**	25,500	1,294,815

The issued ordinary shares of the Company are listed on the Colombo Stock Exchange.

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
31 **REVENUE RESERVE**				
Retained earnings	**399,669**	503,344	**399,671**	502,565
	399,669	503,344	**399,671**	502,565

		Group		Company	
As at 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
32 **OTHER COMPONENTS OF EQUITY**					
Revaluation reserve	32.1	**362,221**	338,274	**362,221**	338,274
Foreign currency translation reserve	32.2	**(8,832)**	(4,609)	**-**	-
Employee share option plan reserve	32.3	**60,403**	60,807	**60,403**	60,807
		413,792	394,472	**422,624**	399,081

32.1 Revaluation reserve consists of the surplus on the revaluation of property, plant and equipment net of deferred tax effect.

32.2 Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of the foreign subsidiary into Sri Lanka Rupees.

NOTES TO THE FINANCIAL STATEMENTS

32.3 Share-based payment plans

Accounting Policy

Employee Share Option Plan- Equity-settled transactions

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the Income Statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

In accounting for employee remuneration in the form of shares, SLFRS 2- Share Based Payments, is effective for the Company, from the financial year beginning 2013/14.

The employee remuneration expense resulting from the John Keells Group's Employees share option (ESOP) scheme to the employees of Keells Food Products PLC is recognized in the Income Statements of the Company. This transaction does not result in a cash outflow and the expense recognised is met with a corresponding Equity reserve increase, thus having no impact on the Statement of Financial Position (SOFP).

The fair value of the options granted is determined by using an option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Income Statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in the share based payment plan.

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 is modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee Share Option Scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the Parent Company are granted to Senior Executives 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.

The expense recognised for employee services received during the year is shown in the following table:

		Group		Company	
As at 31st March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
At the beginning of the year		**60,807**	58,700	**60,807**	58,700
Expense arising from equity-settled share-based payment transactions		**(404)**	2,107	**(404)**	2,107
At the end of the year	32	**60,403**	60,807	**60,403**	60,807

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

NOTES TO THE FINANCIAL STATEMENTS

32.3 Share-based payment plans (Contd.)

The following information were used and results were generated using binomial model for ESOP.

	2023 Plan no 10 award 3	2022 Plan no 10 award 3	2021 Plan no 10 award 2	2020 Plan no 10 award 1	2019 Plan no 9 award 3
Dividend yield (%)	**2.90**	3.28	3.87	3.62	3.76
Expected volatility (%)	**24.15**	22.37	21.35	17.47	17.77
Risk free interest rate (%)	**23.10**	8.87	6.44	9.83	10.09
Expected life of share options (Years)	**5**	5	5	5	5
Weighted average share price at the grant date (LKR)	**119.85**	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	**3**	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	**39.95**	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (LKR)	**121.91**	136.64	132.86	136.97	154.10
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2023)	**121.91**	136.34	132.86	136.97	154.14

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Group 2023 No.	Group 2023 WAEP Rs.	Company 2023 No.	Company 2023 WAEP Rs.
ESOP PLAN 8				
Outstanding at the beginning of the year	**440,831**	**151.97**	**440,831**	**151.97**
Granted during the year	**51,800**	**137.86**	**51,800**	**137.86**
Transfer in/ (Out)	**(36,303)**	**129.23**	**(36,303)**	**129.23**
Lapses/ forfeited	**(316,805)**	**153.99**	**(316,805)**	**153.99**
Outstanding at the end of the year	**139,523**	**148.07**	**139,523**	**148.07**
Vested as at 31st March	**87,723**	**154.10**	**87,723**	**154.10**

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.

33 INTEREST -BEARING LOANS AND BORROWINGS

As at 31st March	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
33.1 Movement				
Interest- bearing loans and borrowings				
At the beginning of the year	**85,668**	129,123	**85,668**	129,123
Cash movements				
Loans obtained	**25,000**	-	**25,000**	-
Repayments	**(43,455)**	(43,455)	**(43,455)**	(43,455)
At the end of the year	**67,213**	85,668	**67,213**	85,668

As at 31st March	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
33.2 Total Borrowings				
Repayable within one year	**67,213**	43,455	**67,213**	43,455
Repayable after one year	**-**	42,213	**-**	42,213
Total Interest -bearing loans and borrowings	**67,213**	85,668	**67,213**	85,668

Security and repayment terms-Group and Company

Nature of facility	Interest rate and security	Year of Maturity	Repayment Terms	2023 Rs. '000	2022 Rs. '000
Project loan	One month Cost of Funds+Margin on a clean basis	March 2024	60 monthly instalments commencing from February 2019	**42,213**	85,668
Import Loan	Pre-agreed fixed rate	April 2023	Lump Sum payment in April 2023	**25,000**	-
				67,213	85,668

34 EMPLOYEE BENEFIT LIABILITIES

Accounting Policy

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

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

Employee defined benefit plan - gratuity

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in Other Comprehensive Income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

Other long-term employee benefits

A new Long-Term Incentive Plan (LTI) has been launched in 2018/19 for senior employees of the Group. The overall incentive was to 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 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.

The Board decided to cease the said plan as achieving the five-year strategic plan is uncertain. Therefore, the total provision has been reversed in the current financial year.

As at 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
34.1 Total employee benefit liabilities					
Employee defined benefit plan- gratuity	34.3	**114,081**	133,993	**114,081**	133,993
Other long-term employee benefits	34.4	**-**	10,127	**-**	10,127
At the end of the year		**114,081**	144,120	**114,081**	144,120

NOTES TO THE FINANCIAL STATEMENTS

	For the year ended 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
34.2	**Employee benefit provisions and related costs**					
	Employee defined benefit plan- gratuity	34.3	**19,429**	18,687	**19,429**	18,687
	Other long-term employee benefits	34.4	**(10,127)**	2,896	**(10,127)**	2,896
			9,302	21,583	**9,302**	21,583

	As at 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
34.3	**Employee defined benefit plan- gratuity**					
	At the beginning of the year		**133,993**	114,130	**133,993**	114,130
	Current service cost		**7,370**	7,866	**7,370**	7,866
	Past service cost		**-**	1,686	**-**	1,686
	Interest cost on benefit obligation		**12,059**	9,135	**12,059**	9,135
			19,429	18,687	**19,429**	18,687
	Transfers in		**2,319**	190	**2,319**	190
	Payments		**(2,868)**	(7,200)	**(2,868)**	(7,200)
			(549)	(7,010)	**(549)**	(7,010)
	Loss/(gain) arising from changes in assumptions		**(38,792)**	8,186	**(38,792)**	8,186
	At the end of the year	34.1	**114,081**	133,993	**114,081**	133,993
	The expenses are recognised in the Income Statement in the following line items;					
	Cost of sales		**11,901**	12,772	**11,901**	12,772
	Selling and distribution expenses		**3,230**	1,711	**3,230**	1,711
	Administrative expenses		**4,298**	4,204	**4,298**	4,204
		34.2	**19,429**	18,687	**19,429**	18,687

The employee defined benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Smiles Global (Pvt) Ltd.

	As at 31st March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
34.4	**Other long-term employee benefits**					
	At the beginning of the year		**10,127**	7,231	**10,127**	7,231
	Provision made during the year		**-**	2,896	**-**	2,896
	Reversal of benefits		**(10,127)**	-	**(10,127)**	-
	At the end of the year	34.2	**-**	10,127	**-**	10,127

34.5 Accounting judgements, estimates and assumptions

Employee benefit liability

The employee benefit liability of the Group and Company is based on the actuarial valuation carried out by Independent Actuarial Specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were:	2023	2022
Discount rate	**19.5% p.a**	9% p.a
Future salary increases:		
Executives	**15%**	8%
Non-executives	**11%**	11%
Retirement age		
As of 17 Nov 2021, employees who have attained the age of;		
Less than 52 years	**60 years**	60 years
53 years	**59 years**	59 years
54 years	**58 years**	58 years
55 years	**57 years**	57 years

34.6 Sensitivity of assumptions used

A percentage point change in the assumptions would have the following effects to employee benefit plan - gratuity;

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Discount rate				
1% Increase	**(4,376)**	(6,711)	**(4,376)**	(6,711)
1% Decrease	**4,720**	7,355	**4,720**	7,355
Salary increment rate				
1% Increase	**5,008**	7,277	**5,008**	7,277
1% Decrease	**(4,704)**	(6,763)	**(4,704)**	(6,763)

Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years;

	Group and Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000
Within the next 12 months	**2,601**	-
Between 1 and 2 years	**950**	1,658
Between 2 and 5 years	**29,533**	26,469
Between 5 and 10 years	**80,997**	105,866
Total expected payments	**114,081**	133,993
Weighted average duration of the defined benefit plan obligation in years	**6.65**	6.71

35 TRADE AND OTHER PAYABLES

Accounting Policy

Trade payables are aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade and other payables are normally non-interest bearing and settled within one year.

	Group		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade payables	**265,398**	353,346	**265,398**	353,346
Sundry creditors including accrued expenses	**240,625**	173,820	**231,913**	168,876
	506,023	527,166	**497,311**	522,222

Trade and other payables are normally non-interest bearing and settled within one year. For further explanation on the Group's liquidity risk management process refer note 10.2.2.

NOTES TO THE FINANCIAL STATEMENTS

36 OTHER CURRENT LIABILITIES

Accounting Policy

Group and Company classifies all non-financial current liabilities under other current liabilities.

	Group		Company	
As at 31st March	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Other taxes payable	**36,341**	23,437	**36,341**	23,437

37 RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business on an arm's length basis. Outstanding current account balances as at year end are unsecured, interest free and settlement occurs in cash. There are no related party transactions other than that, which have been disclosed below;

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2022 Audited Financial Statements, which requires additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

Recurrent related party transactions which have an aggregate value exceeding 10% of the consolidated revenue of the Group as per the Audited Financial Statements as at 31st March 2022 which requires additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Name of related party	:-	Jaykay Marketing Services (Pvt) Ltd
Relationship	:-	Company under common control
Nature of the transaction	:-	Sale of goods
Aggregate value of related party transactions entered into during the financial year	:-	Rs. 1,525 Mn
Aggregate value of related party transactions as a % of net revenue	:-	33.14%
Terms and Conditions of the related party transaction	:-	Ordinary course of business on an arm's length basis

			Group and Company	
	As at 31st March	Notes	2023	2022
			Rs. '000	Rs. '000
37.1	**Amounts due from related parties**	37.3		
	Ultimate Parent		**-**	-
	Subsidiary		**-**	-
	Companies under common control		**235,714**	196,158
	Equity accounted investees of the Parent		**-**	-
			235,714	196,158

The Company has not recognized a provision for expected credit losses for amounts due from related parties as such recoverability is certain.

	As at 31st March	Notes	Group and Company 2023 Rs. '000	2022 Rs. '000
37.2	**Amounts due to related parties**	37.3		
	Ultimate Parent		**4,419**	4,029
	Subsidiary		**-**	-
	Companies under common control		**10,510**	17,756
	Equity accounted investees of the Parent		**69**	71
			14,998	21,856

	As at 31st March	Group and Company Amounts due from 2023 Rs. '000	2022 Rs. '000	Amounts due to 2023 Rs. '000	2022 Rs. '000
37.3	**Details of due from/due to related parties**				
	Ultimate Parent				
	John Keells Holdings PLC	**-**	-	**4,419**	4,029
	Subsidiary				
	John Keells Foods India (Pvt) Ltd	**-**	-	**-**	-
	Companies under common control				
	Ceylon Cold Stores PLC	**-**	156	**1,923**	9,086
	InfoMate (Pvt) Ltd		-	**9**	425
	Jaykay Marketing Services (Pvt) Ltd	**229,213**	196,002	**3,955**	5,454
	John Keells Office Automation (Pvt) Ltd	**-**	-	**-**	258
	Trans Asia Hotels PLC	**433**	-	**-**	-
	Travel Club (Pte) Ltd	**365**	-	**-**	-
	Ceylon Holiday Resorts Limited	**2,067**	-	**-**	-
	Hikkaduwa Holiday Resorts (Pvt) Ltd	**1,610**	-	**-**	-
	Trinco Holiday Resorts (Pvt) Ltd	**422**	-	**-**	-
	Yala Village (Pvt) Ltd	**690**	-	**-**	-
	Fantasea World Investments (Pte) Ltd	**289**	-	**-**	-
	Tranquility (Pte) Ltd	**625**	-	**-**	-
	John Keells PLC	**-**	-	**-**	155
	Keells Consultants (Pvt) Ltd	**-**	-	**14**	155
	Kandy Walk Inn Ltd	**-**	-	**-**	-
	Mack International Freight (Pvt) Ltd	**-**	-	**4,609**	1,724
	John Keells Maldivian Resorts (Pvt) Ltd	**-**	-	**-**	63
	John Keells Logistics (Pvt) Ltd	**-**	-	**-**	196
	The Colombo Ice Company (Pvt) Limited	**-**	-	**-**	240
	Equity accounted investees of the Parent				
	DHL Keells (Pvt) Ltd	**-**	-	**45**	23
	Fairfirst Insurance Ltd	**-**	-	**24**	48
		235,714	196,158	**14,998**	21,856

The Company held short-term borrowings of Rs. 49 Mn at Nations Trust Bank PLC as at 31st March 2023.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
37.4 Transactions with related parties				
Ultimate Parent Company - John Keells Holdings PLC				
Receiving of services	**50,619**	43,439	**50,619**	43,439
Companies under common control				
Sales of Goods	**1,573,184**	1,181,156	**1,573,184**	1,181,156
Purchase of goods	**1,150**	168	**1,150**	168
Receiving of services	**115,085**	51,351	**115,085**	51,351
Subsidiary	**-**	-	**-**	-
Equity accounted investees of the Parent				
Sale of Goods	**-**	-	**-**	-
Receiving of services	**449**	108	**449**	108
Interest received	**-**	-	**-**	-
Key management personnel (KMP)				
Sales of goods	**-**	-	**-**	-
Close family members of KMP				
Sales of goods	**-**	-	**-**	-
Companies controlled / jointly controlled / significantly influenced by KMP and their close family members	**-**	-	**-**	-
Post Employment Benefit				
Contribution to provident fund	**2,702**	2,551	**2,702**	2,551

Governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee".

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

37 .5 Compensations to Key Management Personnel

Key management personnel include members of the Board of Directors of the Group.

	Group		Company	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Short-term employee benefits	**10,920**	7,200	**10,920**	7,200

The governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee" under Corporate Governance Commentary and the Corporate Information in Note 1 of the Financial Statements.

38 CONTINGENT LIABILITIES

Accounting Policy

Provisions, contingent assets and contingent liabilities

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

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

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

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37)

or

- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15)

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

There were no contingent liabilities for the Group at the end of reporting period.

39 CAPITAL AND OTHER COMMITMENTS

39.1 Capital Commitments

Capital Commitments approved but not provided for as at the reporting date is as follows;

	Group		Company	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Approved and contracted but not provided for	**85,069**	29,446	**85,069**	29,446
	85,069	29,446	**85,069**	29,446

40 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the Statement of Financial Position date that require adjustments to or disclosure in the Financial Statements other than the following:

Dividends

The Board of Directors has approved the payment of the final dividend of Rs. 0.50 per share to be paid on or before 19th June 2023.

As required by section 56(2) or the Companies Act No.07 of 2007, the board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to approving the final dividend.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2023.

YOUR SHARE IN DETAIL

ORDINARY SHAREHOLDING

Number of Ordinary Shares - 25,500,000

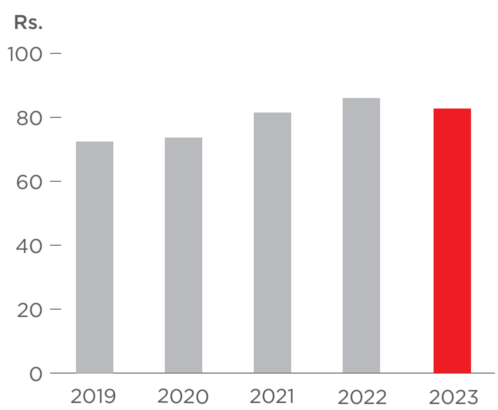
Distribution of Shareholders

	As at 31st March 2023			As at 31st March 2022		
Shareholding Range	No. of Shareholders	No. of Shares Held	%	No. of Shareholders	No. of Shares Held	%
Less than or equal to 1,000	**1,064**	**159,212**	**0.63**	1,113	165,498	0.65
1,001 to 10,000	**116**	**329,449**	**1.29**	122	352,146	1.38
10,001 to 100,000	**21**	**725,005**	**2.84**	26	800,882	3.14
100,001 to 1,000,000	**5**	**1,349,084**	**5.29**	5	1,244,224	4.88
Over 1,000,001	**2**	**22,937,250**	**89.95**	2	22,937,250	89.95
	1,208	**25,500,000**	**100.00**	1,268	25,500,000	100.00

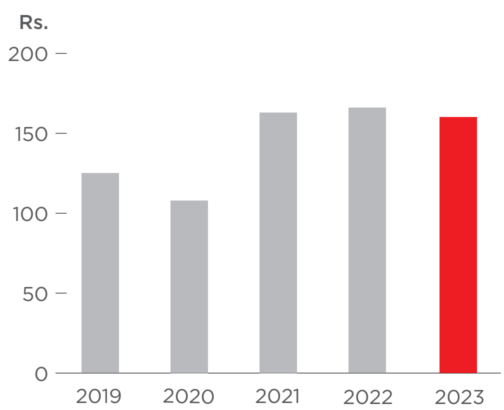
	As at 31st March 2023			As at 31st March 2022		
Categories of Shareholders	No. of Shareholders	No. of Shares Held	%	No. of Shareholders	No. of Shares Held	%
John Keells Holdings PLC and Subsidiaries	**2**	**22,937,250**	**89.95**	2	22,937,250	89.95
Directors and Spouses	**-**	**-**	**-**	-	-	-
CEO and Spouse	**-**	**-**	**-**	-	-	-
Shareholders Holding more than 10%	**-**	**-**	**-**	-	-	-
Public	**1,206**	**2,562,750**	**10.05**	1,266	2,562,750	10.05
Total	**1,208**	**25,500,000**	**100.00**	1,268	25,500,000	100.00
Sri Lankan Residents	**1,189**	**25,266,328**	**99.08**	1,248	25,266,278	99.08
Non-Residents	**19**	**233,672**	**0.92**	20	233,722	0.92
Total	**1,208**	**25,500,000**	**100.00**	1,268	25,500,000	100.00

The Company had a float adjusted market Capitalisation of Rs. 410 million, 10.05% public shareholding which includes 1,206 public shareholders. Therefore, the Company is compliant under option 2 of the minimum threshold requirements for the Diri Savi Board of the CSE, as per section 7.6 of the listing rules of the CSE.

NET ASSET PER SHARE



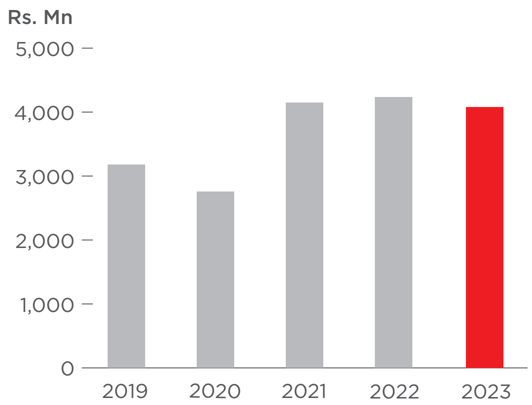
MARKET PRICE PER SHARE



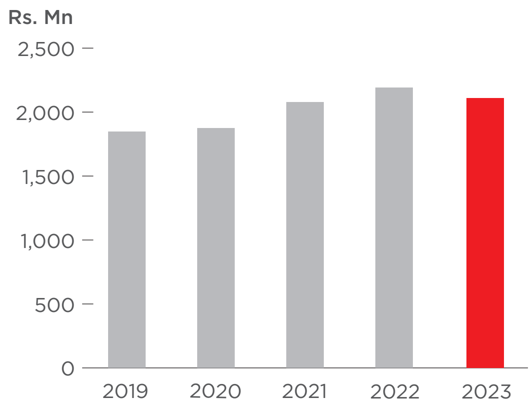
Top 20 Shareholders	As at 31st March 2023 No. of Shares Held	% of Issued Capital	As at 31st March 2022 No. of Shares Held	% of Issued Capital
John Keells Holdings PLC	**20,364,054**	**79.86**	20,364,054	79.86
John Keells PLC	**2,573,196**	**10.09**	2,573,196	10.09
Usui Lanka (Pvt) Ltd	**735,893**	**2.89**	587,705	2.30
People's Leasing & Finance PLC/ L P Hapangama	**195,719**	**0.77**	214,046	0.84
People's Leasing & Finance PLC/ R N Machado	**186,000**	**0.73**	196,000	0.77
People's Leasing & Finance PLC/ L H L M P Haradasa	**126,752**	**0.50**	141,753	0.56
Mr. J B Hirdaramani	**104,720**	**0.41**	104,720	0.41
T R L Holdings (Pvt) Ltd	**100,000**	**0.39**	43,241	0.17
Ms. N Harnam	**82,844**	**0.32**	82,844	0.32
Enterprise Ceylon Capital (Pvt) Ltd	**67,464**	**0.26**	61,843	0.24
Employees Trust Fund Board	**48,842**	**0.19**	48,842	0.19
Deutsche Bank AG Singapore A/C 2	**47,469**	**0.19**	47,469	0.19
Mrs. J M Blackler	**46,686**	**0.18**	46,686	0.18
Harnam Holdings SDN BHD	**40,000**	**0.16**	40,000	0.16
Mr. A J M Jinadasa	**36,000**	**0.14**	36,000	0.14
Mrs. G J E S De Fonseka	**33,240**	**0.13**	33,240	0.13
People's Leasing & Finance PLC/ L H L Noris De Silva & Son (Pvt) Ltd	**28,273**	**0.11**	28,273	0.11
Akbar Brothers (Pvt) Ltd A/C No 1	**26,023**	**0.10**	26,023	0.10
Ms. N Bandaranayake	**25,270**	**0.10**	25,270	0.10
Mr. K C Vignarajah	**24,600**	**0.10**	24,600	0.10

Share Prices - (Rs.)	2023		2022	
Beginning of the year (As at 01st April)	**166.25**		162.50	
Highest for the year	**209.25**	**(28-04-2022)**	189.75	(10-02-2022)
Lowest for the year	**150.00**	**(28-04-2022)**	141.00	(10-02-2022)
End of the year (As at 31st March)	**160.00**		166.25	

MARKET CAPITALISATION



SHAREHOLDERS FUNDS



TEN YEAR INFORMATION AT A GLANCE

For the year ended 31st March	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue	**6,444,270**	4,601,230	3,651,241	3,590,579	3,429,791	3,118,976	3,048,594	3,030,204	2,617,980	2,280,142
Profit / (loss) from operating activities	**230,477**	394,896	329,304	207,667	362,892	338,884	380,354	426,782	338,353	(33,593)
Net finance (cost) / income	**(161,362)**	(5,131)	(3,063)	(2,949)	14,892	10,521	11,460	6,606	(6,938)	21,639
Profit / (loss) before Tax	**69,115**	389,765	326,241	204,718	377,784	349,404	391,814	433,388	331,415	(11,954)
Tax (expense) / reversal	**(55,170)**	(60,192)	(5,261)	(54,543)	(110,651)	(105,801)	(116,395)	(98,682)	(70,126)	12,421
Net profit after tax	**13,945**	329,573	320,980	150,175	267,133	243,603	275,419	334,706	261,289	467

As at 31st March	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
WHAT WE OWNED										
Property, plant and equipment	**1,702,029**	1,502,851	1,546,009	1,583,519	1,250,470	1,183,804	1,183,711	1,160,902	1,152,592	1,158,501
Non Current assets (Including Goodwill)	**325,253**	314,763	307,836	305,978	294,164	293,376	298,659	273,156	276,403	274,063
Short term investments	**-**	-	514	1,795	37,466	108,095	137,558	285,561	263,452	100,568
Inventories	**1,194,409**	585,727	543,139	399,214	337,117	309,081	294,587	234,182	224,170	198,199
Trade and other receivable including dues from related parties	**921,080**	817,684	626,292	525,552	559,104	446,172	446,986	401,885	356,254	309,624
Other current assets (Including income tax refunds)	**159,924**	218,509	44,844	70,709	89,970	91,574	46,921	56,555	45,633	50,388
Total Assets	**4,302,695**	3,439,534	3,068,634	2,886,767	2,568,291	2,432,102	2,408,422	2,412,241	2,318,504	2,091,343
WHAT WE OWED										
Stated capital	**1,294,815**	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815
Revenue reserves	**399,669**	503,344	422,733	285,844	286,241	220,510	128,747	279,707	230,807	101,092
Other components of equity	**413,792**	394,472	358,834	295,331	266,119	231,538	246,567	196,616	173,184	153,623
Total equity	**2,108,276**	2,192,631	2,076,382	1,875,990	1,847,175	1,746,863	1,670,129	1,771,138	1,698,806	1,549,530
Non-current liabilities	**405,607**	344,332	373,756	484,751	351,490	325,922	306,688	317,639	285,806	254,454
Interest bearing borrowings - current	**67,213**	43,455	43,455	43,455	4,629	33,495	50,000	50,000	50,000	51,102
Lease liabilities - current	**1,391**	1,243	1,041	960	-	-	-	-	-	-
Bank overdrafts	**1,162,846**	245,261	160,780	176,280	15,632	1,332	39,471	10,435	28,661	12,561
Trade and other payables including dues to related parties and other current liabilities	**557,632**	572,459	393,947	305,331	315,794	282,080	276,642	240,658	255,231	223,696
Income tax payable	**-**	40,153	19,273	-	33,571	42,410	65,492	22,371	-	-
Total Equity and Liabilities	**4,302,695**	3,439,534	3,068,634	2,886,767	2,568,291	2,432,102	2,408,422	2,412,241	2,318,504	2,091,343

The above indicates the simplified Income Statement and the Statement of Financial Position of the Group.
The Statement of Financial Position is categorised in to its key Assets and Liabilities.
All figures are given in Rs. '000s unless otherwise stated.

KEY FIGURES AND RATIOS

	For the year ended 31st March		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
KEY INDICATORS												
(A)	**PROFITABILITY AND RETURN TO SHAREHOLDERS**											
	Net profit ratio	%	**0.22**	7.16	8.79	4.18	7.79	7.81	9.03	11.05	9.98	0.02
	Earnings per share	Rs.	**0.55**	12.92	12.59	5.89	10.48	9.55	10.80	13.13	10.25	0.02
	Return on equity	%	**0.65**	15.44	16.24	8.07	14.87	14.26	16.01	19.29	16.09	0.03
	Return on capital employed	%	**7.84**	16.09	14.31	10.10	19.79	18.96	20.51	22.31	18.25	(1.84)
	Dividend per share	Rs.	**2.00**	9.50	7.00	6.00	8.00	6.00	16.75	11.00	5.00	2.00
	Debt equity ratio	%	**58.34**	15.09	13.96	18.21	2.10	1.99	7.38	8.14	12.51	15.94
	Shareholder equity ratio*	%	**49.00**	63.75	67.66	64.99	71.92	71.83	69.35	73.42	73.27	74.09
(B)	**LIQUIDITY**											
	Current ratio	Times	**1.27**	1.80	1.96	1.90	2.77	2.66	2.15	3.02	2.66	2.29
	Quick ratio	Times	**0.60**	1.15	1.09	1.14	1.86	1.80	1.46	2.30	1.99	1.60
	Interest cover	Times	**1.34**	31.91	26.17	16.97	229.63	42.47	30.38	31.70	17.25	(0.94)
(C)	**INVESTOR'S RATIO**											
	Price earnings ratio	Times	**290.91**	12.87	12.91	18.37	11.91	13.60	13.43	12.95	10.57	2,750
	Dividend cover	Times	**0.28**	1.36	1.80	0.98	1.31	1.59	0.64	1.19	2.05	0.01
	Dividend payout	%	**365.72**	73.50	55.61	101.88	76.37	62.81	155.08	83.80	48.80	10,911.61
	Dividend yield	%	**1.25**	5.71	4.31	5.55	6.41	4.62	11.55	6.47	4.62	3.64
	Earnings yield	%	**0.34**	7.77	7.75	5.44	8.40	7.35	7.45	7.72	9.46	0.04
	Net assets per share	Rs.	**82.68**	85.99	81.43	73.57	72.44	68.50	65.50	69.46	66.62	60.77
(D)	**SHARE VALUATION**											
	Market value per share	Rs.	**160.00**	166.25	162.50	108.20	124.80	129.90	145.00	170.00	108.30	55.00
(E)	**OTHER INFORMATION**											
	Number of permanent employees	No	**397**	399	399	383	352	339	343	322	301	299
	Turnover per permanent employee	Rs.'000	**16,232**	11,532	9,151	9,375	9,744	9,201	8,888	9,411	8,698	7,126

The above ratio are based on the Income Statement and the Statement of Financial Position of the Group.

*Also known as Equity assets ratio.

REAL ESTATE PORTFOLIO

Location	Number of Buildings	Buildings in Sq. Feet	Land in Acres		Net Book Value/ Valuation	
			Freehold	Leasehold	2023 Rs. '000	2022 Rs. '000
KEELLS FOOD PRODUCTS PLC						
16, Minuwangoda Road, Ekala, Ja-Ela	5	44,578	3.00	-	**489,987**	376,778
16, Minuwangoda Road, Ekala, Ja-Ela	3	8,120	-	1.00	**14,668**	11,971
Industrial Estate, Makadura, Gonawila, Pannala	4	41,166	-	4.08	**324,986**	301,556
Industrial Estate, Makadura, Gonawila, Pannala	-	-	3.86	-	**49,164**	45,410
					878,805	735,715

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.

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt including lease liabilities.

CASH EARNINGS PER SHARE
Profit After Tax attributable to Ordinary Shareholding adjusted for non-cash items over by weighted average number of shares in issue during the year.

CONTINGENT LIABILITIES
A condition or situation existing at the end of the reporting period due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

CURRENT RATIO
Current Assets over Current Liabilities.

DEBT/ EQUITY RATIO (GEARING)
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

DIVIDEND PER SHARE - PAID
Gross Dividends paid to ordinary shareholders divided by Number of Ordinary Shares issued

DIVIDEND COVER
Earnings per Share over Dividend per Share.

DIVIDEND PAYOUT RATIO
Total Dividend as a percentage of Profit After Tax.

DIVIDEND YIELD
Dividend per Share as a percentage of Market Price of Share at the end of the period.

EARNINGS PER SHARE (EPS)
Profit After Tax attributable to Ordinary Share holding over weighted average number of shares in issue during the period.

ENTERPRISE VALUE
Market Capitalisation plus Debt and minus Total Cash and Cash Equivalents.

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)

EBITDA
Earnings before interest expense, tax, depreciation and amortization (includes other operating income). Note that EBITDA includes interest income but excludes exchange gains or losses.

EFFECTIVE RATE OF TAXATION
Income Tax including Deferred Tax over Profit Before Tax.

INTEREST COVER
Profit Before Interest and Tax over Finance Expenses.

MARKET CAPITALISATION
Number of Shares in issue at the end the of period multiplied by the share price at end of the period.

NET ASSETS
Total Assets minus Current Liabilities minus Long Term Liabilities minus Minority Interest.

NET ASSET PER SHARE
Net Assets divided by number of Ordinary Shares in issue at the end of the period.

NET DEBT
Debt minus Cash and Short-Term Deposit.

NET PROFIT MARGIN
Profit After Tax attributable to equity holders of the Parent divided by total Revenue.

NET WORKING CAPITAL
Current Assets - Current Liabilities

NET TURNOVER PER PERMANENT EMPLOYEE
Net Turnover over average number of permanent employees.

PRICE EARNINGS RATIO
Market Price of Share over Earnings 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 plus Short-Term Investments plus Receivables over Current Liabilities.

RETURN ON ASSETS
Profit After Tax over Average Total Assets.

RETURN ON CAPITAL EMPLOYED
EBIT as a percentage of average capital employed.

RETURN ON EQUITY
Consolidated Profit After Tax as a Percentage of Average Shareholders' Funds.

SHAREHOLDERS' FUND
Stated Capital, Other Components of Equity and Revenue Reserves.

SHAREHOLDERS' EQUITY RATIO/ EQUITY ASSETS RATIO
Total Equity over Total Assets.

TOTAL ASSETS
Fixed Assets plus Investment plus Non-Current Assets Plus Current Assets.

TOTAL DEBTS
Long and short-term loans, including overdrafts, but excluding lease liabilities.

TOTAL DEBTS/ TOTAL ASSETS
Total Debts over Total Assets.

TOTAL VALUE ADDED
The difference between Revenue (including Other Income) and Expenses, Cost of Materials and Services purchased from External Sources.

WORKING CAPITAL
Trade Receivables + Inventory + Amount due from Related Parties - Trade and Other Payables - Amount due to Related Parties

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NOTICE OF MEETING

Notice is hereby given that the 41st **Annual General Meeting (Meeting) of Keells Food Products PLC** (Company) will be held as a virtual meeting on Monday, 26th June 2023 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 and Financial Statements for the Financial Year ended 31st March 2023 with the Report of the Auditors thereon.

3. To re-elect as a Director, Ms. S De Silva who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Ms. S De Silva is contained in the Board of Directors' section in the Annual Report.

4. To re-elect as a Director, Mr. P D Samarasinghe who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. P D Samarasinghe is contained in the Board of Directors' section in the Annual Report.

5. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.

6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report and Financial Statements of the Company are available on the:

(1) Corporate Website - https://www.keellsfoods.com/investor-relations/#financial-reports

(2) The Colombo Stock Exchange Website - https://www.cse.lk/Search Company - Keells Food Products PLC - (KFP.N0000)

Members may also access the Annual Report and the Financial Statements on their electronic devices by scanning the following QR code.

By Order of the Board
Keells Food Products PLC

Keells Consultants (Private) Limited
Secretaries

22nd May 2023

NOTICE OF MEETING

For clarifications on how to download and/or access the Annual Report and the Financial Statements, please contact Mr. Gihan Samarakkody on +94 772756890 during normal office hours (8.30 a.m. to 4.30 p.m.) or e-mail gihansa.ccs@keells.com.

Should any Members wish to obtain a hard copy of the Annual Report, they may complete and send the Form of Request to No. 148, Vauxhall Street, Colombo 2 or facsimile No. +94 11 2447422. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days subject to the prevailing circumstances at the time from the date of receipt of the request.

Notes:

a. A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

b. A proxy need not be a member of the Company.

c. A Member wishing to vote by Proxy at the meeting may use the Form of Proxy enclosed herein.

d. Members are encouraged to vote by proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.

e. In order to be valid, the completed Form of Proxy must be lodged at the registered office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha or forwarded to the e-mail address: keellsconsultants@keells.com or facsimile No. +94 11 2439037 not less than 48 hours before the Meeting.

f. A vote can be taken on a show of hands or by a poll, If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Member and his/her proxy holder are both present at the Meeting, only the Member's vote is counted. If the proxy holder's appointer has indicated the manner of voting, only the appointer's indication of the manner to vote will be used.

FORM OF PROXY

I/We...of

....being a shareholder/s of Keells Food Products 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 Prabhath Gamlath	or failing him
Ms. Shehara De Silva	or failing her
Mr. Pravir Dhanoush Samarasinghe	or failing him
Mr. Amal Eran Herath Sanderatne	or failing him
Mr. Indrajit Samarajiva	or failing him
Ms. Payagalage Nelindra Fernando	

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Forty First Annual General Meeting of the Company to be held on Monday 26th June 2023 at 10:00 am and at any postponement or adjournment thereof and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as a Directress, Ms. S De Silva, who retires in terms of Article 83 of the Articles of Association of the Company.		
To re-elect as a Director, Mr. P D Samarasinghe, who retires in terms of Article 83 of the Articles of Association of the Company.		
To re-appoint the Auditors and to authorise the Directors to determine their remuneration.		

Signed on this .... day of .... Two Thousand and Twenty Three (2023).

....

Signature/s of shareholder/s

NOTE: INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY ARE NOTED ON THE REVERSE

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF PROXY

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, or forwarded to the email address: keellsconsultants@keells.com or facsimile No. +94 11 2439037 not later than 48 hours before the time appointed for the convening of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the 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/ CDS Account No : ....

National Identity Card No. ....

CORPORATE INFORMATION

NAME OF COMPANY
Keells Food Products PLC

COMPANY REGISTRATION NUMBER
PQ 3

LEGAL FORM
Public Limited Liability Company Established in 1982

REGISTERED OFFICE OF THE COMPANY
No. 117, Sir Chittampalam A. Gardiner Mawatha,
Colombo 02, Sri Lanka.
Tel: +94 11 2421101

EKALA FACTORY
No. 16, Minuwangoda Road,
Ekala, Ja-Ela, Sri Lanka.
Tel: +94 11 2236317
Fax: +94 11 2236359
E-mail: foods@keells.com
Web: www.keellsfoods.com

PANNALA FACTORY
P.O. Box 14, Industrial State, Makadura,
Gonawila (NWP), Sri Lanka.
Tel: +94 37 4933248-51
Fax: +94 31 2298195

BOARD OF DIRECTORS
Mr. K N J Balendra (Chairman)
Mr. J G A Cooray
Mr. D P Gamlath
Ms. P N Fernando
Ms. S De Silva
Mr. P D Samarasinghe
Mr. I Samarajiva
Mr. A E H Sanderatne

AUDIT COMMITTEE
Mr. P D Samarasinghe (Chairman)
Ms. S De Silva
Mr. A E H Sanderatne
Mr. I Samarajiva

SECRETARIES AND REGISTRARS
Keells Consultants (Pvt) Ltd
No. 117, Sir Chittampalam A. Gardiner
Mawatha, Colombo 02, Sri Lanka.
Tel: +94 11 2306245
Fax: +94 11 2439037

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.

BANKERS
Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Bank PLC
Hongkong & Shanghai Banking Corporation Ltd
Nation Trust Bank PLC
Hatton National Bank PLC
Union Bank of Colombo PLC
NDB Bank PLC
Sampath Bank PLC
Seylan Bank

STOCK EXCHANGE LISTING
The Ordinary Shares of the Company are Listed
with the Colombo Stock Exchange of Sri Lanka

SUBSIDIARY COMPANY
John Keells Foods India (Pvt) Ltd

Designed & produced by
emagewise
Printed by Printel (Pvt) Limited.