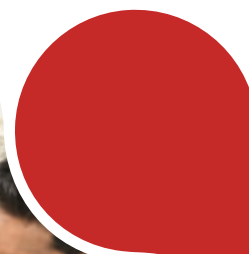


# AN UNBREAKABLE BOND



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**Chairman's  
Message 22**

**Managing Director's  
Message 24**

# AN UNBREAKABLE BOND

An unbreakable bond transcends tumultuous times and turbulent spaces. At Convenience Foods (Lanka) PLC, we have stayed connected to the hearts of our consumers despite economic hardship and uncertainty. As we continue to deliver absolute goodness in every process we utilise and every product we manufacture, we move forward with resilience and responsibility, serving the unbreakable bond we share with the diverse community of all Sri Lankan people.

We take immense pride in being the Sri Lankan consumer's go-to provider of sustenance. Despite turbulence and tumult, we continued, in the year under review, to be reliable, affordable and high-quality for our consumers, ensuring that no matter the hardship, they could always rely on our products. As we fortify our operations, enhance our production quality and promote the consumption of healthy food, we do so with our unbreakable bond with the Sri Lankan consumer held steadfast in our heart.



## OUR VISION, MISSION, PURPOSE AND VALUES

### VISION

“Total and complete nutrition to enhance the quality of life of future generations”

### MISSION

“To achieve total consumer satisfaction by maintaining consistently superior quality products that are innovative and nutritious while penetrating new markets to maintain market leadership in a competitive environment”

### GROUP PURPOSE

“To create enriching moments of happiness for people, by being a caring global entity, with a true Sri Lankan identity”

### GROUP CORE VALUES

#### **Caring**

We are considerate. We respect our stakeholders, community and planet.

#### **Quality**

We strive with passion to deliver higher value and satisfaction through our products and services.

#### **Innovation**

We constantly explore new possibilities to create happy moments for people.

#### **Integrity**

We act honestly, responsibly and ethically.

# ABOUT OUR INTEGRATED REPORT

## OUR REPORTING LANDSCAPE

The official website of Convenience Foods (Lanka) PLC (CFL) has been launched to enhance corporate communications with a broader range of stakeholders. This initiative aims to improve transparency and usability while establishing a direct communication channel between shareholders and the Company. The platform will provide shareholders with remote access to the annual report and other timely updates. CFL plans to leverage technology to offer an advanced reading experience for Company information, ensuring access to the latest updates throughout the year.

To better serve our stakeholders, we have introduced QR code linkages between CFL website and our annual report. This feature allows for targeted content extraction options to enhance accessibility and meet the diverse needs of our stakeholders. Visit our website at [www.conveniencefoodslanka.com](http://www.conveniencefoodslanka.com) for more information.



About Us



CFL Brands



Contact Us



ESG



Investor Relations

## ABOUT THIS REPORT

### Scope and Boundary

Our Integrated Annual Report is delivered through Company-wide collaboration and attempts to present a balanced and relevant articulation of Company's operations during 2023/2024, including content on current and future business contexts.

This report discusses on:

- The key performance summaries and highlights of the year, Company corporate information and achievements
- The value creation business model of the Company, combining different forms of capital in the business operating environment
- Governance, risk management and sustainability frameworks adopted by the business
- Financial statements and independent auditors' report
- Supplementary information including non-financial information for the stakeholders

CFL adopts a 12 months annual reporting cycle and this year's report covers the period from 1st of April 2023 to 31st of March 2024. Any material events after this date and up to the Board approval date of 31st July 2024 have also been included in this report. Our previous report (Strong Agile and Resilient) was for the year ended 31st March 2023 and released on the 16th of August 2023.

### Independent Assurance

Independent assurance for CFL's financial statements has been obtained from Messrs. Ernst & Young, the external auditors. The financial statements, which span from pages 139 to 141, have been included.

### Targeted Audience

The report is designed to meet the information needs of a broader range of stakeholders ranging from our shareholders, potential investors, customers, employees, suppliers, business partners and communities enabling them to make informed decisions about the organization's growth, strength, stability and sustainability

aspects. We have taken the responsibility for providing mandatory disclosures as well as voluntary information as may be deemed necessary and important by relevant regulatory and statutory bodies.

### Integrated Thinking and Reporting Process of the Company

We adopt integrated thinking to identify elements that could affect our ability to create value sustainably over the long-term. These factors nourish our strategy, with the goal of minimizing risks and leveraging emerging opportunities. The thinking is converted into written document during our reporting process within the reporting standards, statute and principles, outlined with information integrity verification and quality assurance.

### Strategic Direction

The annual report details the Company's current and future business strategies focused on achieving sustainable growth, offering valuable insights for its stakeholders.

# ABOUT OUR INTEGRATED REPORT

## Comparative Information

This report provides comparative data for the year ended 2023/2024 and 2022/2023. Reclassifications and restatements have been conducted as needed to improve clarity in presentation and adhere to regulatory requirements.

## Reporting Standards

The following voluntary reporting frameworks and guidelines were used to prepare the report going beyond regulatory compliance to incorporate international best practices into our reporting processes.

## REPORTING FRAMEWORK

Mandatory Reporting Frameworks and Guidelines	Voluntary Reporting Frameworks and Guidelines
<b>Financial Reporting</b> <ul style="list-style-type: none"> <li>Sri Lanka Accounting Standards (SLFRSs/LKASs)</li> <li>Companies Act No. 07 of 2007 and amendments thereto</li> <li>Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995</li> </ul>	<b>Integrated Reporting</b> <ul style="list-style-type: none"> <li>Integrated Reporting Framework of the International Integrated Reporting Council</li> <li>'Guidelines for Presentation of Annual Reports' issued by the Institute of Chartered Accountants of Sri Lanka</li> <li>Handbook on Integrated Corporate Reporting by the Institute of Chartered Accountants of Sri Lanka</li> </ul>
<b>Corporate Governance Reporting</b> <ul style="list-style-type: none"> <li>Listing Rules of the Colombo Stock Exchange</li> <li>Laws and Regulations of the Companies Act No. 7 of 2007</li> <li>Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)</li> </ul>	<b>Best Practice on Corporate Governance</b> <ul style="list-style-type: none"> <li>Institute of Chartered Accountants of Sri Lanka (ICASL) Code of Best Practices on Corporate Governance 2017</li> <li>ICASL released an updated Code of Best Practice on Corporate Governance (2023) in December 2023. The new code is currently being reviewed to improve the current governance practices as required by the Company</li> </ul>
<b>Assurance</b> <ul style="list-style-type: none"> <li>Sri Lanka Auditing Standards (SLAuSs)</li> <li>Internal Auditing Framework of Institute of Internal Auditors</li> </ul>	<b>Sustainability Reporting</b> <ul style="list-style-type: none"> <li>GRI Standards: The GRI Standards have been used as a guide in preparing this annual report.</li> <li>Sustainable Development Goals (SDGs)</li> </ul>



## IMPROVEMENTS TO THE REPORT

### CONTENT IMPROVEMENTS

- UN SDG targets are linked to capital reports
- Corporate governance disclosures complied with the revised CSE listing rules
- Actions taken to initiation of IFRS S1 and IFRS S2 are detailed in a separate note
- Enhanced ethics and integrated risk management disclosures under Corporate Governance Section

### USER-FRIENDLINESS IMPROVEMENTS

- Improve accessibility through website
- Developed Company website and customized presentation of information
- Enhanced graphical presentation for user-friendly experience
- QR code linkage created between some parts of the annual report and the Company website

### TRANSPARENCY IMPROVEMENTS

- Enhanced notes to the financial statements
- Presentation of statistical disclosures with comparative data to improve credibility of the content
- Content improvements for greater visibility

## Transparency

- Strong internal processes to ensure the integrity of financial and non-financial information
- Timely and adequate disclosure of material information
- The financial statement has been audited by Messrs. Ernst & Young who have expressed their opinion on the true and fair view of the annual financial statements as shown on pages 139-186

## Accountability

- Clearly defined governance structure at the Company to support the timeliness, accuracy and relevance of the financial and non-financial information provided
- Statement of Board responsibility in confirming the integrity of the annual report
- Board commitment to Environmental, Social and Governance (ESG) aspects through the launch of CFL sustainability initiatives

## Disclaimer

This report may contain forward-looking statements concerning the Company's future performance and outlook. Although these statements represent our anticipated future developments, it is important to recognize that various risks, uncertainties and significant factors could cause actual results to differ materially from our expectations.



Corporate Governance



Operating Environment



Sustainability



Risk management

## Board Responsibility

The Board takes responsibility and assures the credibility of our annual report 2023/24. The Board assures us that the report gives a fair and transparent account of material issues underlining the sustainability of Convenience Foods (Lanka) PLC.

Signed for and on behalf of the Board:

R. S. A. Wickramasingha  
Chairman

31st July 2024

## FEEDBACK

We understand that integrated reporting is an ongoing learning process. Hence, we welcome your feedback and suggestions to improve our 2023/24 annual report along with any queries and clarifications.

### Please contact:

S. K. I. Sameera Senarathne  
General Manager - Finance  
Convenience Foods (Lanka) PLC,  
No. 133, 7th Lane, Off Borupana Road,  
Kandawala, Ratmalana.  
Email: sameeras.cf@cblk.com



## NAVIGATION OUR ANNUAL REPORT

### Capitals



Financial Capital



Manufactured Capital



Human Capital



Intellectual Capital



Social and Relationship Capital



Natural Capital

### Stakeholders



Shareholders



Employees



Customers



Suppliers and Business Partners



Government and Regulatory Bodies



Communities



## ABOUT THE COMPANY



Convenience Foods (Lanka) PLC (CFL), a subsidiary of CBL Group, has a history spanning more than three decades. CFL entered the Sri Lankan business arena and commenced operations in 1991, named as Soy Foods (Private) Limited, a subsidiary of Forbes and Walker Limited. The Company was converted to a public limited liability company on 11th March 1992 and was listed on the Colombo Stock Exchange in May 1992. The Company pioneered the concept of Textured Soy Protein (TSP) or popularly known as the soya meat market locally. Creating headway under the brand 'Lankasoy' this product functioned as an alternative source of protein and grew in popularity, especially among the vegetarian and vegan markets.

In 2000, Ceylon Biscuits Limited (CBL) acquired the Company which was renamed as Soy Foods (Lanka) Limited. The market which was slow moving put into gear with the introduction of nugget-shaped fish, chicken and vegetarian flavoured soya products. These new, flavoured soya products transformed and expanded the domestic soya market, leading to many accolades for the brand. With ambitious growth strategies in the pipeline in 2008, the Company changed its name to Convenience Foods (Lanka) PLC, to reflect its growth plans of diversification beyond soya-based foods, into the convenience foods segment.

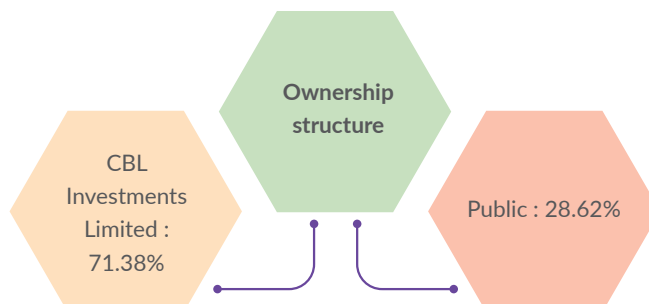
In 2017, CBL Investments Limited purchased majority of the issued share capital of CFL

from Ceylon Biscuits Limited, thereby transferring majority ownership of CFL to CBL Investments Limited. This diversification heralded the growth of the product range, adding Sera Salt and Sera Coconut Milk to the portfolio. The year 2021 witnessed further growth in the product range with the introduction of Sera spices. During the year, CFL has introduced Sera whole spices to the market as well. Today, the Company has a portfolio of more than 100 SKU's and enjoys the patronage of consumers across different continents. We have built the foundation to make a presence in the Middle East, Europe, the USA, Asia and thereby contribute a noteworthy percentage towards CBL exports. Our success has been amply rewarded with the many awards and accolades which we have received over the years, which is indeed an affirmation of our brand's strength and the trust we have created in our consumers.

The registered office of the Company is located at No.555, High Level Road, Makumbura, Pannipitiya and the principal

place of business is situated at No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana. High-tech machinery and automated packaging lines have been utilized by CFL throughout the years in accordance with global standards. ISO 9001, 14001, 22000 and 45001 standard accreditations, along with GMP, HACCP and Sri Lanka Standards (SLS) certification for soy food products, have been received by the factory from the National Standards Body for quality assurance.

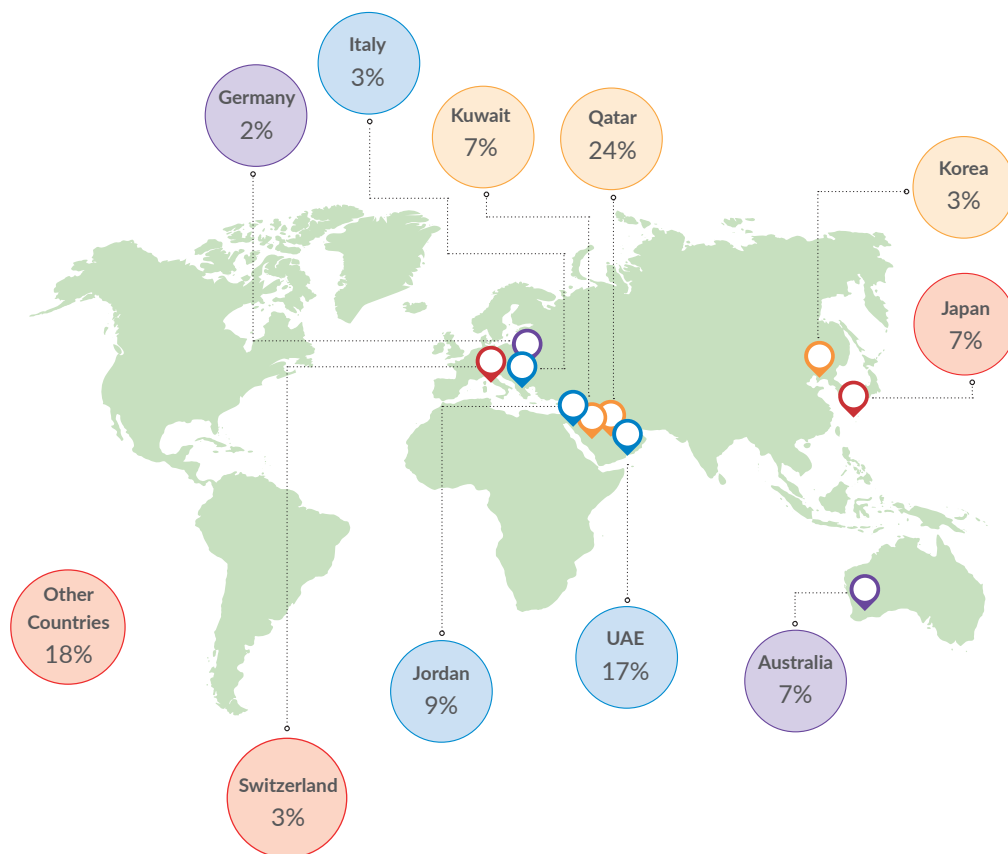
In addition to our strong financial performance and innovative and popular product offerings, it is crucial for us that CFL remains a stable company. We are bringing together our passion and purpose to make a difference through our sustainability approach, to build a more inclusive and greener Sri Lanka. At the heart of it all is our talented team. We take much pride in fostering an inspiring workplace with an agile and high-performance culture. We are also deeply committed to recognizing and valuing diversity across our teams.





## OUR GLOBAL MARKETS

Convenience Foods (Lanka) PLC, the leading soy manufacturer in Sri Lanka under the brand name Lankasoy, continues to dominate the industry. Offering a wide range of product categories, we cater to diverse consumer preferences. Our global footprint has grown, with exports reaching major markets in the Middle East, Europe, USA, Asia and Australia, significantly enhancing the overall export performance of the CBL Group. We take pride in our accomplishments and remain dedicated to delivering exceptional soy products while adapting to the evolving needs of our valued customers both locally and internationally.



Note: The above data is for export revenue and reflects the Country share as a percentage to export revenue.

## NEW PRODUCT LAUNCHES



## OUR PRODUCTS RANGE



Being a pioneer in introducing soy nuggets to Sri Lankan consumers, Lankasoy has been instrumental in developing and shaping the textured soya protein category and has revolutionized the market with different varieties, nugget shapes over the years. Establishing Lankasoy as a trendsetter and providing inspiration to others to uplift the category, the brand offers its variants under the original range, Malusoy, Chickosoy, Vegesoy, Meatsoy, Minced Mix and novel products such as Kiri Malu, Polos, Miris Malu, Jumbo Pack etc. The diverse range, the taste profiles and the innovative shapes with effective communication have enabled Lankasoy to be the Market Leader who has won heart share amongst consumers. Our products have been accredited both locally and internationally with ISO 22000, HACCP, SLS ISO 9001 and GMP certifications in addition to SLS, with annual audits to ensure the highest quality standards.



Sera is the gastronomic food brand under CFL brand portfolio. Within a very short period, Sera was able to penetrate the homes of Sri Lankan consumers and become a household brand name, that stands for quality and trust. With busy lifestyles requiring innovative solutions that deliver trusted convenience, Sera offers a range of functional and easy-to-use food products with the guarantee of quality. With the vision to be the aspirational kitchen partner for the convenience-seeking homemaker, Sera continues to extend its portfolio to new categories to address the emerging convenience needs of the consumers without compromising quality. Today, Sera portfolio comprises of culinary aids such as Spices, Coconut Milk and Salt whilst offering meal solutions such as Soups, offering a whole host of solutions for the family. Venturing into branded packeted spices, Sera has managed to become a key player in the spices category.



Nutriline is a progressive, urban Nutrition brand for CFL, which cuts across both children and teenage target audience through its Breakfast Cereal range. The Nutriline Kids cereal range is a tasty, healthy and wholesome cereal enriched with multi-grains, offering goodness with affordability for children. It is made locally using Sri Lankan grains and manufactured to the highest quality standards. Nutriline cereal makes a nutritious and convenient breakfast option that appeals to mothers and is loved by children.



Tetos is an exciting, brand that caters to both youth and children. Tetos delivers a rich potato-based array of flavours manufactured adhering to the highest quality standards. With the growing demand need for fun and exciting snacks for on the go snacking, movie get-togethers and sharing with friends, Tetos provides a Real Potato experience to young consumers' Tetos Moments.

## OUR JOURNEY OVER 33 YEARS

Convenience Foods (Lanka) PLC, a subsidiary of CBL Investments Limited, has a history spanning more than three decades. We have continued to thrive and innovate, capitalizing on our expertise in textured soy products, other food product categories and our commitment to quality, consumer satisfaction and sustainability.

**1990/91**

Commencing of operations of Textured Soy Protein (TSP) under the name Soy Foods (Private) Limited.

**1991/92**

Company listed under Colombo Stock Exchange (CSE).

**2000/01**

Ceylon Biscuits Limited (CBL) acquired controlling stake in the Company and applies its expertise to change the perception of 'Soya Meat' in the market.

**2001/02**

Introduction of new shapes and authentic flavours to revolutionize the slow-moving Soya meat in the marketplace.

**2002/03**

Lankasoy won awards at the SLIM Brand Excellence Awards and Sri Lanka Food Processors Association.

- Gold Award - 'Turnaround Brand of the Year'.
- Silver Award - 'Innovative Brand'.
- Bronze Award - 'Brand of the Year'.

**2003/04**

The Company expanded its operations with the introduction of modern technology to the factory by investing in new machinery.

**2006/07**

- Introduction to Lean Manufacturing Practices.
- Certification of ISO 9001 for the new high-tech factory.
- Won SLIM 'Brand Excellence' award and 'Productivity and Quality' award from the National Productivity Secretariat (NPS).

**2007/08**

Won SLIM 'Brand Excellence' award and 'Productivity and Quality' award from the National Productivity Secretariat (NPS).

**2008/09**

Soy Foods (Lanka) PLC was transformed to Convenience Foods (Lanka) PLC as the Company expanded with diverse range of food.

Won SLIM 'Brand Excellence' award and 'Productivity and Quality' award from the National Productivity Secretariat (NPS).

**2009/10**

Certified with SLS certification for Soy food products by making Lankasoy the first Soya food brand to qualify for the certification.

**2010/11**

Certified with ISO 22000, GMP and HACCP.

**2011/12**

Bronze award and secured position among the Top 10 Awards of Extra Large category at CNCI Achievers awards.

**2012/13**

Introduction to state-of-the-art machinery for production of variety of flavours and snack range.

Won the following at SLIM Brand Excellence Awards.

- Brand of the Year'.
- Gold Award for 'Product Brand of the Year'.
- Local Brand of the Year'.
- Gold Award 'Innovative Brand of the Year'.

**2013/14**

- Silver Quality Circle Award at the National Business Excellence Summit.
- Bronze Award - Brand of the Year at SLIM Brand Excellence Awards.
- Gold Award - Manufacturing Food and Beverages at National Business Excellence Awards.



**2014/15**

- Implementing of SAP ERP System and HRIS System.
- Introducing Nutriline Cereal with three different varieties.
- Certification of ISO 14001 - Environment Management System.
- Gold Award - Manufacturing Food & Beverages at National Business Excellence Awards.

**2015/16**

- Introducing of Tetos snack range.

**2016/17**

- Ownership transfer of CFL with majority shares to CBL Investments Limited.
- Introduction of easy to make Kottu range.

**2017/18**

- Introduction of Sera Coconut Milk.
- CBL celebrated its 50th anniversary.
- Existing system upgrade to SAP HANA ERP System.
- Recognised with Business Excellence Award for New Product Initiatives / Innovations at the Chairman's Awards organised for the first time by CBL Group.
- Runners Up – Manufacturing Food & Beverages at the National Business Excellence Awards.
- Sri Lanka's Best Brand Award at CMO Asia Brand Leadership Awards.

**2018/19**

- Gold Award - Quality and Productivity at National Convention conducted by Sri Lanka Association for Advancement of Quality & Productivity.
- Gold Award for Lankasoy 'Kiri Malu' in the Best New Entrant category at SLIM Brand Excellence Awards.

**2019/20**

- Introduction of refined and iodised Sera Salt range.

**2020/21**

- Recorded highest ever price of a single share of Rs. 1,999 during the year.

**2021/22**

- Introducing Sera Spices Range with investment at state-of-the-art facility with modern technology in spice processing.
- Silver Award – Manufacturing Companies (Turnover Up to LKR 5 Bn) 56th Annual Report Awards 2021 ICASL.
- Won Gold Award at NCQP 2021 organized by the SLAAQP.
- 3rd place of National Productivity Awards 2020.
- SAP COPA Implementation.
- COVID-19 Safety Management System Certification SLS 1672: 2020.

**2022/23**

- Won the following awards at The Effie Awards 2023.
  - The Most Effective Marketer of the Year
  - Packaged Food category – Gold
  - Media Innovation in social media - Gold
  - Youth Product Marketing Category – Bronze
- CFL Compliance Award at TAGS Awards 2022.
- CBL Sera has achieved remarkable success at the SLIM DIGIS 2.2. The campaign has secured a total of six prestigious awards.
  - Gold Award for Digital in Food & Beverage.
  - Silver Awards for Best Use of Experiential Digital Marketing, Small Budget Impact, Cross Digital Platform Integration and Gaming, Gamification and Use of E-Sports.
  - Bronze Award for Best Digital Marketing Innovation.
- CBL Sera makes history as the first brand in Sri Lanka to win an APAC Award for Best Innovative Idea or Concept in Gaming, at the 2022 Dragons of Asia.
- Convenience Foods (Lanka) PLC has been honoured with the prestigious PROMISE Sustainability Awards 2023.
- Recorded the highest ever turnover.

**2023/24**

- CFL Compliance Award at TAGS Awards 2023.
- CFL website implementation.
- CFL established Nominations and Governance Committee and extended governance policies.
- Certification of ISO 45001:2018 Occupational Health and Safety Management Systems.

2015-2019

2020-2023

# OUR VALUE CREATING BUSINESS MODEL

## INPUT

- Encompasses the financial resources utilized to support the operation (Refer table 1)
- Encompasses our fixed asset base, IT platforms, branch network and other resources we utilize to conduct our business (Refer table 2)
- Encompasses the skills, dedication and resilience of our employees (Refer table 3)
- Encompasses the knowledge of people, brand, culture and integrated technology (Refer table 4)
- Encompasses the vital relationships we sustain within our business (Refer table 5)
- Encompasses our indirect impact on natural resources and utilities utilized in the business (Refer table 6)

## STRATEGY & RESOURCE ALLOCATION

Stakeholder engagement (Page 39-42)  
Identifying material matters (Page 43-47)  
Materiality assessment (Page 43-47)

## Vision

"Total and complete nutrition to enhance the quality of life of future generations"

## Mission

"To achieve total consumer satisfaction by maintaining consistently superior quality products that are innovative and nutritious while penetrating new markets to maintain market leadership in a competitive environment"

## Group Purpose

"To create enriching moments of happiness for people by being a caring global entity, with a true Sri Lankan identity"

## Group Core Values

**Caring** – We are considerate. We respect our stakeholders, community and planet.

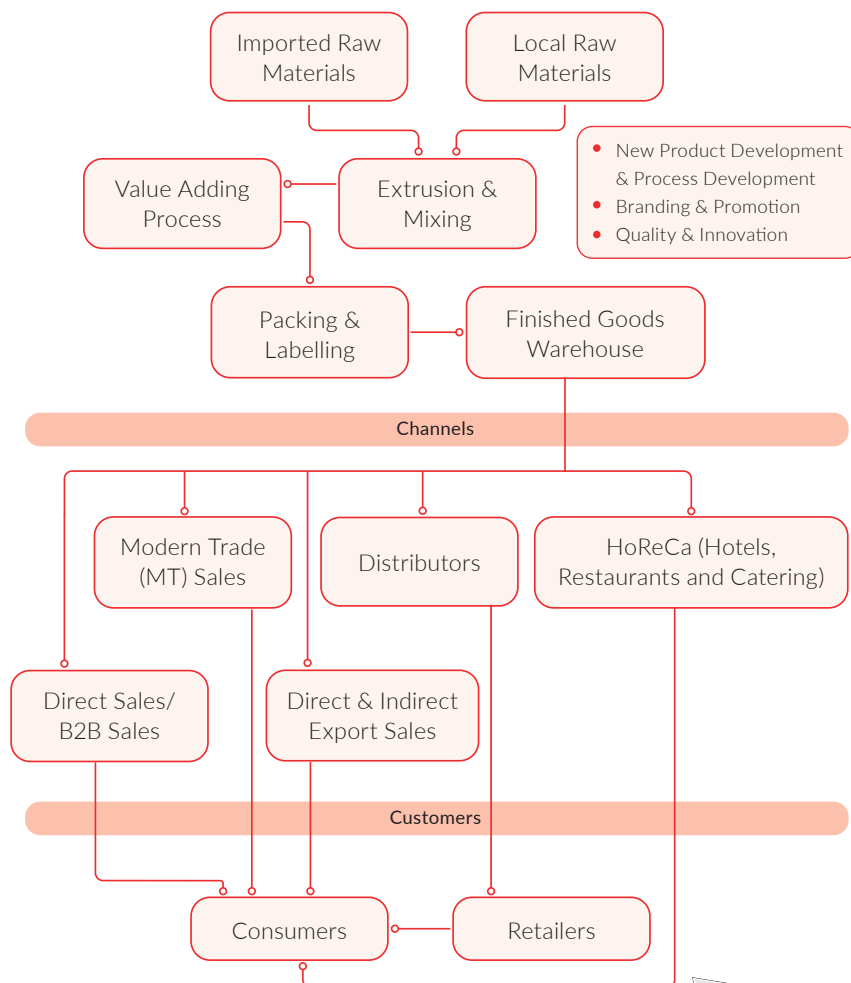
**Quality** – We strive with passion to deliver higher value and satisfaction through our products and services.

**Innovation** – We constantly explore new possibilities to create happy moments for people.

**Integrity** – We act honestly, responsibly and ethically.

## PROCESS

### Manufacturing



### Customers

## CORPORATE GOVERNANCE PRACTICES

## INTEGRATED RISK MANAGEMENT



## OUTPUT

## Financial Capital

Table 1



Measurement Criteria	Unit	31.03.2024	31.03.2023	%
Total Equity	Rs. Mn	2,649	2,440	9
Short-term Investments	Rs. Mn	964	-	100
Total Assets	Rs. Mn	3,571	4,859	-27

## Manufactured Capital

Table 2



Measurement Criteria	Unit	31.03.2024	31.03.2023	%
Investment in capital expenditure	Rs. Mn	88	85	3
PPE	Rs. Mn	609	620	-2

## Human Capital

Table 3



Measurement Criteria	Unit	31.03.2024	31.03.2023	%
No of employees	No.	351	355	-1
% of Female employees	%	14%	12%	17

## Intellectual Capital

Table 4



Measurement Criteria	Unit	31.03.2024	31.03.2023	%
Investment in Research & Development	Rs. Mn	2.29	0.94	145
New products launched (NPD's) :	No.	4	3	33
Investment in intangible assets	Rs. Mn	0	0.63	-100

## Social &amp; Relationship Capital

Table 5



Measurement Criteria	Unit	31.03.2024	31.03.2023	%
No of community initiatives and events	No.	17	10	70
Jobs created	No.	82	79	4

## Natural Capital

Table 6



Measurement Criteria	Unit	31.03.2024	31.03.2023	%
Electricity Consumption	kWh	2,004,736	2,407,670	-17
Water Consumption- No. of units m <sup>3</sup>	m <sup>3</sup>	16,057	13,749	17
CO <sub>2</sub> emission	CO <sub>2</sub> /kg	0.25	0.24	4
Diesel:	Liters	16,301	85,258	-81
Furnace Oil	Liters	164,273	123,433	33
LPG	Kg	15,600	24,525	-36

## OUTCOME

## Shareholders



Sustainable shareholder returns commensurate with the risk undertaken (pages 39-42)

## Customers



Access to innovative, high quality products which are manufactured through sustainable practices coupled with excellent customer service (pages 39-42)

## Employees



Attractive rewards and opportunities for skill and career development in a conducive, dynamic and inclusive environment (pages 39-42)

## Suppliers &amp; Business Partners



Business growth driven by continued demand for products/ services and know-how (pages 39-42)

## Government &amp; Regulatory Bodies



Contribute towards job creation, socio-economic growth and government revenue through tax contribution (pages 39-42)

## Communities



Fulfilment of community needs leading to an improved standard of living (pages 39-42)

## APPLICABLE SDGs

## Financial Capital



## Manufactured Capital



## Human Capital



## Intellectual Capital



## Social &amp; Relationship Capital




## Natural Capital



# PERFORMANCE HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

Financial Capital	Metric	2023/24	2022/23	% Variance
	Profitability			
	Revenue	Rs. 6,298,075,059	8,041,401,062	(22)
	Results from operating activities	Rs. 397,479,699	920,366,540	(57)
	Finance income	Rs. 40,342,710	21,835,598	85
	Finance expense	Rs. 69,533,778	294,758,455	(76)
	Profit before tax	Rs. 368,288,631	647,443,683	(43)
	Income tax expenses	Rs. 141,624,421	126,938,121	12
	Profit for the year	Rs. 226,664,210	520,505,562	(56)
	Return on capital employed	% 16.53	27.07	(39)
	Pre-tax Profit	% 5.85	8.05	(27)
Financial Position				
	Non current assets	Rs. 720,558,936	746,196,504	(3)
	Current assets	Rs. 2,850,306,538	4,112,423,553	(31)
	Non current liabilities	Rs. 214,886,482	199,646,518	8
	Current liabilities	Rs. 707,405,310	2,218,643,713	(68)
	Capital and reserves	Rs. 2,648,573,682	2,440,329,827	9
	Current ratio	Times 4.03	1.85	117
	Quick assets ratio	Times 2.78	0.80	247
Shareholder Information				
	No of shares in issue	Number 2,750,000	2,750,000	0
	Market value per share (closing MPS)	Rs. 920	1,208	(24)
	Earnings per share (EPS)	Rs. 82.42	189.27	(56)
	Net assets per share	Rs. 963.12	887.39	9
	P/E ratio	Times 11.16	6.38	75


**Rs. 368Mn**  
Profit Before Tax


**6%**  
PBT Margin


**Rs. 920**  
MPS


**Rs. 88Mn**  
CAPEX Expenses


## NON-FINANCIAL HIGHLIGHTS

Manufactured Capital		Metric	2023/24	2022/23	% Variance
	Property, plant and equipment (NBV)	Rs.	609,256,990	619,605,790	(2)
	Capital expenditure	Rs.	87,710,468	85,474,614	3
	Depreciation of PPE	Rs.	93,194,319	77,501,816	20

Human Capital		Metric	2023/24	2022/23	% Variance
	Employees	Number	351	355	(1)
	Remuneration & post-employment benefits	Rs.	757,750,065	746,596,619	1
	Female representation	%	14	12	17
	Investment in training & development	Rs.	7,566,738	4,085,657	85
	Total training hours	Hours	6,522	6,844	(5)
	Average training hours/employee	Hours	19	19	0
	No. of injuries	Number	3	1	200
	New recruitments	Number	82	79	4

Intellectual Capital		Metric	2023/24	2022/23	% Variance
	New Products Developments (NPD's)	Number	4	3	33
	Existing number of products	Number	112	108	4
	Investment in R&D	Rs.	2,294,620	935,353	145
	No. of existing product categories	Rs.	8	8	0

Social & Relationship Capital		Metric	2023/24	2022/23	% Variance
	No. of customer reach	Number	9,729,276	20,909,556	(53)
	Sales staff	Number	161	163	(1)
	Investment in charity & donation	Rs.	5,414,733	569,895	850
	No. of Compliance certifications	Number	7	7	0

Natural Capital		Metric	2023/24	2022/23	% Variance
	Electricity	kWh	2,004,736	2,407,670	(17)
	Furnace Oil	Liters	164,273	123,433	33
	Diesel	Liters	16,301	85,218	(81)
	LPG	Kg	15,600	24,525	(36)
	Emission	CO <sub>2</sub> e/Kg prod.	0.25	0.24	4
	Water consumption	m <sup>3</sup>	16,057	13,749	17

## YEAR AT A GLANCE

### April

#### SINHALA AND TAMIL NEW YEAR CELEBRATION

CFL celebrated the Sinhala and Tamil New Year with enthusiastic participation from all levels of staff. This vibrant event honored our cultural heritage with traditional activities, games and a festive feast, fostering unity and joy. It strengthened team bonds and showcased our commitment to a positive workplace culture and a cohesive and motivated team.



#### NUWARA ELIYA SEASONAL EVENT

The Nuwara Eliya seasonal program attracts a large number of people from many parts of Sri Lanka, providing immense mileage for brand image, brand experience and brand visibility. At this event, CFL created a brand experience event for our Lanka Soy, Nutriline, Sera and Tetos brands. This experience shared product knowledge to customers through engagement.

### May

#### ANNUAL PIRITH CEREMONY

CFL held the annual Pirith ceremony, a tradition focused on spiritual well-being of our employees. This special event brought everyone together to join in social harmony, creating a peaceful and reflective atmosphere. The ceremony featured offerings, prayers and shared blessings, fostering a sense of unity and calm among our team.



### June

#### POSON SEASONAL EVENT AT RUWANWELISEYA, ANURADHAPURA

The annual Lankasoy initiatives in Anuradhapura and Mihinthale have become a cherished tradition, uniting over 500,000 pilgrims annually. At our distribution points, we provided free cooked Lankasoy products to visitors, allowing them to experience our product offerings. This effort boosts our visibility and shows our commitment to backing cultural and religious events, fostering goodwill and a stronger presence within a diverse community.



### July

#### ANNUAL STAFF EXCURSION TO NUWARA ELIYA

CFL management organized an annual staff excursion to Nuwara Eliya which was a great opportunity for team engagement, relaxation and a much-needed break. This event was a reward to our dedicated team, fostering stronger connections and creating unforgettable memories.





## August

### KATHARAGAMA PAADHA YATHRA - WATER PROJECT

During the Katharagama Paadha Yathra program, we supported one million pilgrims by distributing water and soya-based meals. This initiative not only benefits the pilgrims but also underscores our commitment to community welfare and cultural traditions, emphasizing our role in supporting local communities.

### PROFOOD PROPACK AND EXHIBITION 2023

CFL participated in the 20th Profood Propack and Ag-biz Exhibition, hosted at the BMICH Exhibition Centre in Colombo. It was a resounding success, attracting over 5,000 industry buyers. This event provided a valuable platform for business opportunities and industry collaboration. Many corporates attended this exhibition, highlighting the event's significance and the high level of industry engagement. The exhibition's success underscores our commitment to fostering industry growth and facilitating meaningful business connections.



## October

### FIRE DRILL

CFL held a fire drill at our Ratmalana premises to create awareness and preparedness in case of a fire related emergency. The drill helped familiarize employees with the evacuation routes and safety procedures, underscoring our commitment to keeping our workplace safe and prepared for such a situation.

## September

### MAHIYANGANAYA FESTIVAL

During the Mahiyanganaya festival, a major religious event in the Uva province, CFL conducted product sampling and awareness activities and offered Lankasoy meals to pilgrims. This effort aimed to grow awareness and expand our market footprint, all while showcasing our dedication to community engagement and cultural involvement.



### VISION AND HEARING CHECKUP

CFL conducted a vision and hearing checkup for employees in keeping with our commitment to employee health and wellbeing. Qualified healthcare professionals conducted the screenings, providing personalized assessments and recommendations.



## YEAR AT A GLANCE

### November

#### SHEQ WEEK

A successful Safety, Health, Environment and Quality (SHEQ) management week featuring a range of activities such as a quiz competition, an art competition, awareness sessions on SHEQ topics and an employee ESG awareness program were held. These initiatives aimed to enhance employee knowledge, promote best practices, ensure emergency preparedness and highlight the importance of Environmental, Social and Governance (ESG) criteria. The week-long program reinforced our commitment to high standards in safety, health, environment and quality, fostering a culture of responsibility and well-being within our organization.



### December

#### CFL ANNUAL GET-TOGETHER

CFL held its annual get-together, bringing senior managers, managers and employees with their families together for a day of fun, engagement and connection. This event was a great chance for everyone to mingle in a relaxed setting, helping to build a stronger team and enhance our company culture.



### January

#### NEW YEAR CELEBRATION 2024

CFL celebrated the dawning of 2024 at our New Year celebration attended by the employees. Religious dignitaries representing multiple religions joined to offer blessings, creating a harmonious and inclusive atmosphere. This celebration not only marked the start of a new year but also reinforced our commitment to diversity and unity within our team.

#### APPOINTMENT OF MANAGING DIRECTOR/CEO

Mr. Manjula Dahanayake was appointed as the Managing Director/CEO of the Company with effect from 1st January 2024.

### February

#### MANUSITH SATHKARA

Since 2019, Lankasoy has been organizing community events near Sripada during the pilgrimage season, drawing over 5 million visitors. This initiative includes offering Lankasoy curry and polos meals at dedicated stalls, alongside broadcasting information through a community outreach vehicle. These efforts aim to increase awareness and foster connections with our intended audience, strengthening our ties within the community.

### March

#### APPOINTMENT OF INDEPENDENT DIRECTORS

Mr. Imal Shamen Fonseka, Mr. Maithri Evan Wickremesinghe and Ms. Sharmini Tamara Ratwatte have been appointed as Independent Non-Executive Directors of Convenience Foods (Lanka) PLC with effect from 31st March 2024.

#### WOMEN'S DAY CELEBRATION

CFL celebrated International Women's Day honouring our female employees with tokens of appreciation. This event recognized the invaluable contributions of women in our workforce, emphasizing our commitment to gender equality and appreciation for their hard work and dedication.





## ACHIEVEMENTS AND AWARDS

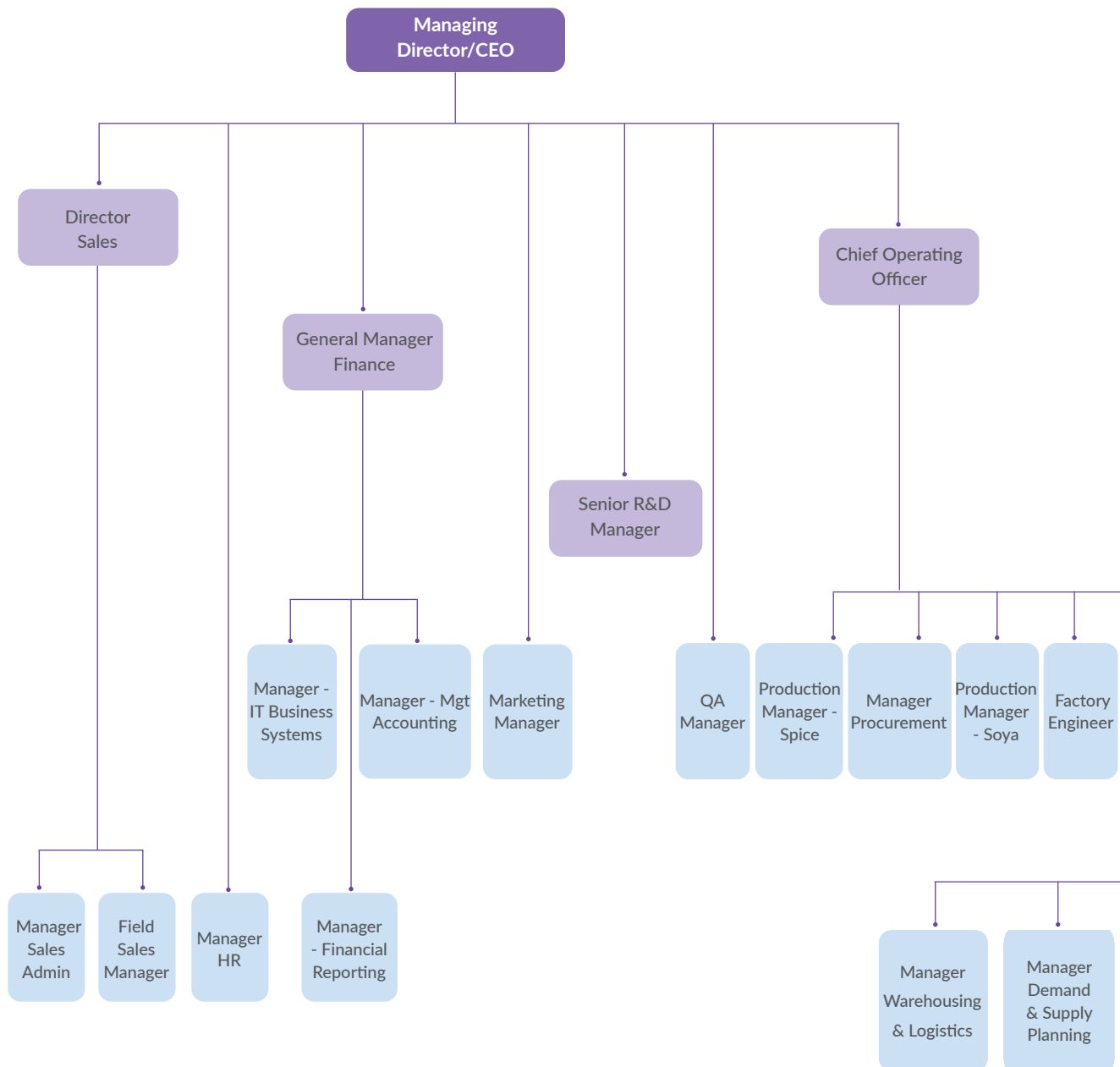
Convenience Foods (Lanka) PLC received a Compliance Award in the Manufacturing Sector (Turnover up to LKR 10 Bn.) at the TAGS Awards 2023 hosted by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

At the TAGS Awards 2023, CA Sri Lanka honoured top corporations, multinationals, small businesses and non-profit organizations for their insightful and transparent annual reports that meet the rising demands of stakeholders, including investors.



We are proud to announce that Convenience Foods (Lanka) PLC has received certification to offer business level and strategic level chartered accountancy training for students pursuing CA Sri Lanka qualifications and aspiring to become chartered accountants. This recognition underscores our commitment to supporting professional development and aims to foster excellence in nurturing the advancement of future accountants.

# ORGANIZATIONAL STRUCTURE





# STRENGTHENING CONNECTIONS AND EXPLORING POSSIBILITIES

## MANAGEMENT DISCUSSION & ANALYSIS

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## CHAIRMAN'S MESSAGE

“CFL’s financial position has significantly strengthened, owing to a strong focus on working capital, stringent monitoring and governance, particularly in our asset base and investments.”



### Dear Shareholders,

I would like to welcome you to the 33rd Annual General Meeting of Convenience Foods (Lanka) PLC (CFL). I am pleased to present the Integrated Annual Report, including the Audited Financial Statements, for the financial year ended 31 March 2024.

Looking back at 2023/24, a year marked by uncertainty, we overcame challenges in the market with determination and grace. By adhering to our core values of caring, quality, integrity and innovation, we confronted these challenges directly. Despite a series of macroeconomic difficulties in Sri Lanka, the slow economic recovery brought hope as market dynamics and economic activity picked up as the year went on. While our turnover and profits have declined from last year's record levels, the highest in CFL's history, our Company has emerged stronger and more resilient. We demonstrated a strong commitment to delivering value to our stakeholders, showcasing our dedication and positive impact in an ever-changing landscape.

### MACRO-ECONOMIC ENVIRONMENT

During the 2023/24 financial year, Sri Lanka's manufacturing and retail sectors encountered significant challenges due to

high inflation, which stabilized in the latter part of the year. This erosion of purchasing power and the rising costs of goods and services squeezed profit margins, forcing difficult decisions regarding pricing and production.

The increase in Value Added Tax (VAT) from 15% to 18% led to a 3% reduction in the Company's margins. Furthermore, adjustments to income tax, with the rate increasing to 30%, imposed financial repercussions on the industry. Throughout the year, sectors experienced a decline in demand alongside rising production and operating costs. However, the Company elected not to transfer the VAT increase to the prices of our key product categories during the financial year. Instead, CFL internalized this impact, mitigating it through productivity enhancements and cost optimization measures, which helped maintain our gross profit margins. Additionally, the hike in the income tax rate to 30% and the mandatory Social Security Contribution Levy (SSCL) impacted intermediaries within our network. However, the Sri Lankan economy showed signs of recovery, with a moderate contraction of 2.3% in 2023, a notable improvement from the severe 7.3%

contraction in 2022. Despite this progress, the industrial sector contracted by 9.2% during the year due to subdued demand conditions affecting all sectors.

### CUSTOMER-CENTRIC APPROACH TO EXCELLENCE

Our key focus was to ensure that we maintain a customer-centric approach in our strategy. This meant that we absorbed pricing pressures to ensure that our products were affordable to consumers. As a responsible food manufacturer that provides essential protein-based foods to a majority of Sri Lankans, we were determined that our flagship products, soya, spices and cereal, remained accessible and affordable.

During the year, the Company recorded a revenue of Rs.6.3 Bn, down from last year's turnover of Rs.8.0 Bn. In terms of profit, CFL achieved Rs.227 Mn compared to Rs.521 Mn last year. This decrease is primarily due to drop in consumer demands, CFL controlling inflationary price adjustments, balancing essential commodity costs with the interests of both consumers and the Company. Performance across product lines varied throughout the financial year 2023/24. While the spices segment did not



grow as expected, our other products in our portfolio continued to perform well.

Despite challenging market conditions and regulatory pressures, the Company maintained the product competitiveness in the market. CFL's strategic emphasis on operational efficiency and customer satisfaction allowed us to navigate these challenges, ensuring a stable financial performance in the financial year 2023/24.

## OUR STRENGTHS

With over 33 years of trusted experience and a wide-ranging product portfolio, CFL has maintained its position as a market leader. Lankasoy continued to be a trusted brand, maintaining a +40% market share. Furthermore, our dedication to ensuring product availability across the country enhanced convenience for consumers.

Moreover, CFL consistently upheld a superior standard of product quality, setting us apart from our competitors. The Company maintained hygienic conditions and responsible production practices during the year under review, complying with global quality certifications, ensuring our products are suitable for both children and adults.

## ENVIRONMENTAL RESPONSIBILITY

CFL continued our commitment to environmental best practices across our operations. Continuing our sustainability initiatives, CFL focused on minimising waste to landfills and promoting the adoption of 3R (Reduce, Reuse, Recycle) practices. Initiatives focusing on environmental aspects have been consolidated into definitive directives that require compliance with regulatory standards. In addition to CFL's PET bottle collection project, facilitating the collection and recycling of these bottles, the Company focused on recycling point-of-sale materials, posters, booths and optimizing packaging materials. These initiatives were part of our dedication to environmental stewardship and our ongoing commitment to sustainable practices within our operations.

## ORGANISATIONAL GOVERNANCE

CFL has implemented governance policies throughout the organisation and ensures their adherence across all functions. In September 2023, revisions were made to the CSE listing rules, consolidating changes into clear directives for regulatory compliance. CFL has complied with both the previous and revised CSE listing rules. During the financial year 2023/24, CFL implemented new policies pertaining to corporate governance, a practice consistently upheld at the Company.

Moreover, the establishment of the Nomination and Governance Committee, a recent addition during the year under review, serves a critical role in overseeing top executive appointments and succession planning in accordance with regulatory mandates. This sub-committee framework highlighted our commitment to robust governance practices.

## FUTURE OUTLOOK

We are optimistic that Sri Lanka's economy will continue to recover by improving overall market conditions and growth in export opportunities. CFL foresees the spices segment presenting significant opportunities in the coming year. Our investments in improving the quality of our spice products are expected to expand our reach and strengthen the Sera brand in the market.

Following an analysis of the Sri Lankan population overseas, which has created high potential for expansion, CFL plans to increase our global reach to provide them with familiar Sri Lankan products.

## ACKNOWLEDGEMENTS

I extend my heartfelt appreciation to Dr. D. M. A. Kulasooriya, Mr. U. Thilakawardana and Mr. M. S. Nanayakkara for their dedicated service and invaluable contributions as Independent Directors on the CFL Board during their tenure. I also warmly welcome our new Independent Directors, Mr. I. Fonseka, Mr. M. E.

Wickremesinghe and Ms. S. T. Ratwatte, to the Board and look forward to collaborating closely with them.

Furthermore, I express my gratitude to Mr. Thilanka De Zoysa, our former Managing Director/CEO, who retired on 31 December 2023. I also extend a warm welcome to our current Managing Director/CEO, Mr. Manjula Dahanayake, who assumed the role on 1 January 2024. My thanks also go to our Board of Directors for their ongoing guidance and support to our dedicated team at CFL.

I would like to recognize KPMG, our internal auditors, for their examination of our Company's internal control environment and Ernst and Young, our external auditors, for providing their independent opinion on our financial statements.

I wish to express my sincere appreciation to our esteemed shareholders and valued stakeholders and extend my heartfelt thanks to our loyal customers for their trust, which has kept us at the forefront for many years. The growth and promising future of CFL are a direct result of your unwavering trust and confidence in us.

I must express my gratitude to our employees. Without your dedication and cooperation, we would not have achieved this success.

As we move forward, we remain committed to upholding the highest standards of excellence and innovation. We will continue to invest in our people, processes and products to drive sustainable growth and deliver value to our shareholders.

Thank you being an integral part of our journey!



**R. S. A. Wickramasingha**  
Chairman

31st July 2024

## MANAGING DIRECTOR'S MESSAGE

“Our commitment to provide affordable nutrition to our consumers remained a priority. We proactively navigated challenges effectively through strategic planning, streamlining our operations and innovative marketing campaigns, which ensured our products remained top of the mind and affordable to all our consumers.”



### Dear Shareholders,

I am pleased to share the Annual Report of Convenience Foods (Lanka) PLC (CFL) and the financial statements for the year ended 31st March 2024. The year under review presented hitherto market challenges for the FMCG sector that required companies to shift their strategies and adapt swiftly. With consumer wallets tightening and food baskets shrinking, the FMCG sector had the daunting task of staying relevant and affordable amid increasing cost of production and plummeting consumer spend on food.

I am happy to note that despite continuous challenges, Convenience Foods (Lanka) PLC demonstrated resilience, dexterity and strategic acumen to end the year with a positive financial performance whilst maintaining the market leadership.

### MARKET DYNAMICS

During the financial year, the economic uncertainty in Sri Lanka was a major challenge to the FMCG industry. We responded by adapting appropriate systems

and processes to maintain continuity in this evolving landscape, streamlining operations and optimizing systems. In seeking growth opportunities, we evaluated necessary actions and system changes to ensure our products are recognized as essential, affordable and nutritious for daily consumption. Shifting of consumer demands were reviewed continuously and developed innovative products to meet these needs.

### OUR APPROACH

Consumer demand was maintained by absorbing increased raw material and other manufacturing costs to the system whilst maintaining the retail pricing of the products.

Accordingly, in response to volume fluctuations, the Company implemented internal measures to mitigate and manage costs, following a comprehensive review of operational expenditures and various raw material sources. This enhanced the efficiency of our entire supply chain, ensuring optimal management and cost-effectiveness across sections.

### PRODUCT QUALITY

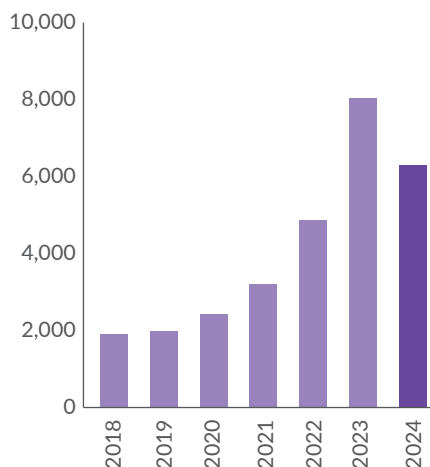
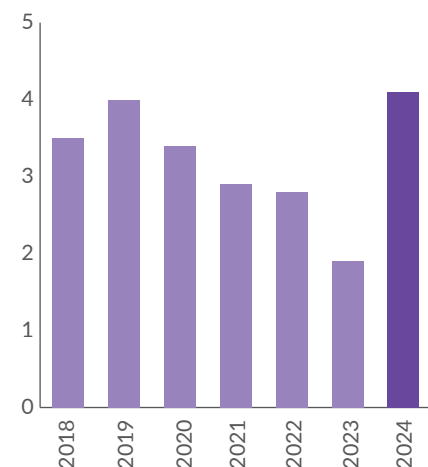
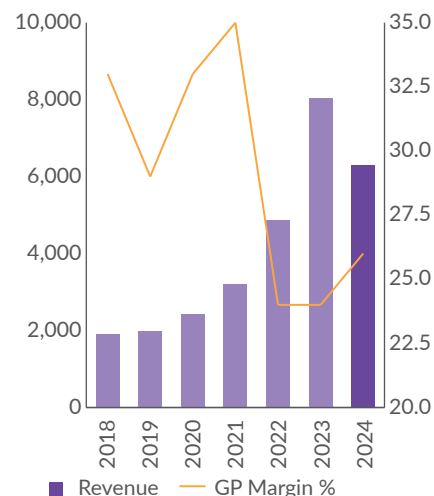
We consistently ensured that all our products meet the highest quality standards. The Company's robust quality controlling methods are adhered to the international standards enabling CFL to remain competitive. Throughout our entire value chain, we maintain the highest quality standards. From the meticulous selection, ordering and receipt of materials, through rigorous production processes, to efficient distribution, we ensure our products reach end consumers in the right condition. By delivering high-quality products, we are able to provide value to our consumers and sustain long-term attractiveness.

### BRAND PERFORMANCE

#### Lankasoy

As a trusted brand for over 33 years, Lankasoy secured its brand equity through efficient planning and effective brand promotion strategies, bringing the product much closer to its consumers.



Revenue  
LKR MnCurrent ratio  
TimesRevenue vs. Gross profit margin  
LKR Mn

We are proud of supporting our valuable consumers by addressing the protein deficiency in the country and offering a solution to overcome this national issue by providing a high-quality product with 50% protein at an affordable price.

During the year under review, Lankasoy contribution was significant to the total revenue, retaining its position as the market leader with over +40% volume market share.

### Nutriline

Nutriline being a star product in our portfolio which continued its momentum and contributed significantly compared to last year, by driving increased demand. This growth was supported by marketing efforts targeting focused campaigns and a responsive approach to consumer needs. As a result, Nutriline reached a broader audience and solidified its position in the market setting the stage for continued success.

### Sera

The Sera brand is one of the standout brands in CFL's product portfolio, alongside its culinary brand. Its growing popularity amongst busy housewives in Sri Lanka has been propelled by increasing brand awareness and availability achieved through effective sales strategies and timely campaigns across Sri Lanka.

Sera spices being the new addition to the portfolio has a greater potential to double its volumes during the coming years. We are confident that spices will outperform many of Sri Lanka's popular brands in future.

### Tetos

Tetos continued to gain popularity amongst our younger consumer categories. The brand's unique product proposition captivated consumers, making Tetos a sought-after choice for those seeking variety and quality in quick, on-the-go snacks.

Tetos will lead numerous innovations in the coming years to solidify the snacking market taking it to a different elevation.

### EMPLOYEE TALENT DEVELOPMENT AND WELLBEING

At our core, attracting, retaining and motivating talent while providing development opportunities enables CFL to ensure the long-term sustainability of its operations. We are dedicated to nurturing the continuous development and well-being of our employees. During the past year, CFL successfully identified and retained critical talent across our organization, driven by our strong belief in people. This principle resonates throughout our Company, reinforcing our commitment to prioritizing recognition, support and ample career advancement opportunities for those who excel with us.

CFL launched new training initiatives aimed at enhancing our workforce. These initiatives include tier-based learning

## MANAGING DIRECTOR'S MESSAGE

interventions such as Executive Leadership Development Programs, Middle Manager Development Programs which focus on the leadership competency development and knowledge enhancement for middle management, incorporating project-based learning to support our long-term growth objectives. These programs are designed to deliver value through transformative learning experiences, connecting learning management systems and promoting social and engagement-based learning. These efforts ensure the readiness of our bench strength to achieve and surpass business objectives.

CFL has taken initiatives to drive employee well-being through the recent session series of "My Life" as part of the Total Wellbeing agenda. This agenda covers five dimensions: mental, physical, financial, relationship and spiritual, ensuring that life balance is promoted and maintained. We remain committed to nurturing our employees' potential and ensuring their holistic development and well-being.

### FINANCIAL OVERVIEW

During the financial year, CFL's revenue declined by 22% compared to the highest turnover achieved in the previous financial year, 2022/23. This decline was attributed due to drop in consumer demands, under performance in some of the Company's key brands as the market category volumes declined. The Company recorded a total gross profit of Rs.1,618 Mn, a 17% drop in value compared to the previous year. However, the gross profit margin improved from 24% to 26%, demonstrating the Company's efforts to improve internal processing efficiency despite facing challenges such as increased costs, higher raw material prices and pressure on volumes.

Operating profits decreased by 57%, primarily due to the decline in revenue. CFL

achieved an operating profit of Rs. 397 Mn and a Profit After Tax of Rs.227 Mn, supported by effective cost control measures. Despite economic challenges, CFL maintained its market position through strong sales and marketing efforts.

The Company maintained a strong financial position by aggressively reducing high inventory levels, a key success factor in the year ended 2023/24.

In 2024, the Company exhibited strong cash flow management despite a lower net profit. Significant improvements in working capital components, reduced interest expenses and effective asset management collectively contributed to a positive cash flow from operating activities, showcasing a robust financial strategy focused on enhancing liquidity and operational efficiency.

During the year under review, CFL settled all borrowings and stabilized its business position. This resulted in a strong financial position, instilling greater confidence in the Company's future prospects.

### FUTURE OUTLOOK

CFL strategically evaluates opportunities to drive growth in the local spices market and through the expansion of our soy, cereal, liquid coconut milk, salt and snack products both locally and internationally. In the spices sector, our strategy is to double the volume by focusing on developing value-added products and leveraging our competitive advantage on technology, expertise and capabilities to ensure the highest quality standards. This approach will significantly strengthen CFL's market position.

As a market leader in the soya category, our objective is not only to sustain but also to augment our market share. This entails bolstering our leadership position by intensifying consumer engagement

strategies. These strategies include fostering team commitment, driving product innovation, achieving operational excellence, expanding into new markets and channels and implementing targeted marketing and branding initiatives. Through these concerted efforts, CFL aims to solidify its presence in the marketplace whilst continuing to excel in the broader food industry.

### APPRECIATION

I am grateful to my management team and the entire CFL Team for their exceptional commitment and dedication, which enabled CFL to excel during these challenging times. I also extend my gratitude to the Chairman and the Board of Directors for their expert guidance offered throughout the year. I thank our business partners and stakeholders for being a strength to us in ensuring the Company's growth. Our consumers remain at the core of every CFL brand, as we strive to meet their needs on our journey to excellence.



M.C. Dahanayake  
Managing Director/ CEO

31st July 2024

# OUR OPERATING ENVIRONMENT

## ECONOMIC REVIEW

Global economic growth maintained at 3.2% through increased market activities post pandemic supported by global inflationary easing. Higher household consumption and labour force participation combined with normalisation of global logistics sector saw the steadying of supply chain ensuring reliability and smoother goods and raw material trade.

Sri Lanka's economy saw improvement in 2023 despite deep economic challenges. Economic activity resumed with support from reduced interest rates, stabilized exchange rates and improved inflation trends. The revival in the external sector, aided by Central Bank efforts and aggressive tax reforms, also contributed. Government and Central Bank of Sri Lanka's policy measures, alongside a structural reform agenda and support from the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement, bolstered overall macroeconomic stability. These reforms have helped reduce economic vulnerability risks. The economy recorded an expansion in its activity in Q3-2023, after six consecutive quarters of contraction.

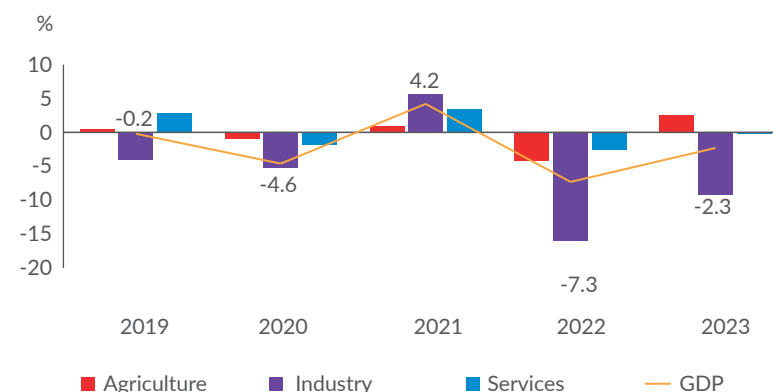
## Real Sector GDP

In 2023, the Sri Lankan economy showed signs of recovery with a moderate contraction of 2.3%, an improvement from the significant 7.3% contraction in 2022. This recovery was particularly evident in the second half of the year, as the Gross Domestic Product (GDP) recorded positive growth rates. GDP at current market prices increased by 14.8%, reaching Rs.27,630 Bn. Government revenue growth was driven largely by a substantial increase in tax collection, which amounted to Rs. 2,721 Bn, compared to Rs.1,751 Bn in 2022. This improvement was primarily due to higher tax rates (personal income tax, corporate income tax, VAT, excise duties) and a broader tax base (lowering tax-free thresholds for income taxes, VAT and SSCL).

The introduction of the Social Security Contribution Levy (SSCL) in October 2022 also significantly boosted revenue in 2023. Additionally, the influx of foreign exchange

from tourism and worker remittances, donor funding and the appreciation of the rupee contributed to revenue growth. As a result, GDP per capita increased to USD 3,830 in 2023, up from USD 3,464 in 2022.

## Annual GDP Growth Rates



Source: CBSL Annual Economic Review 2023

## Industry

The 2023/24 year saw supply side improvements starting from the middle of the year, but these were not equally matched by consumer demand. Subdued demand affected all industry activities, leading to a 9.2% contraction in the industrial sector in 2023. However, most other manufacturing activities experienced a recovery in the latter part of the year, primarily driven by the production of food, beverages, tobacco products and refined petroleum products.

## Gross National Income by Industrial Origin at Constant (2015) Prices

Economic Activity	Rate of Change (%)		Contribution to Growth(%)		As a Percentage of GDP (%)	
	2022 (c)	2023	2022 (c)	2023	2022 (c)	2023
Agriculture, Forestry and Fishing	-4.2	2.6	-0.3	0.2	7.5	7.9
Manufacturing, mining and quarrying and other industry	-13.9	-4.7	-2.9	-0.9	19.6	19.1
Of which: Manufacturing activities	-12.7	-3.2	-2.2	-0.5	16.1	16
Construction	-20.9	-20.8	-1.9	-1.6	7.6	6.2
Wholesale and retail trade, transportation and storage, accommodation and food service activities	2.4	3.1	0.6	0.8	26.5	28
Information and communication	-0.4	-13.2	0	-0.5	3.4	3
Financial and insurance activities	-18.3	-5.3	-1	-0.3	5	4.8
Real estate activities (including ownership of dwelling)	-12.1	-6	-0.6	-0.3	4.6	4.4
Professional, scientific, technical, administration and supporting service activities	-17.7	2.4	-0.4	0	2	2.1
Public administration, defense, education, human health and social work activities	-0.3	-0.6	0	-0.1	9.6	9.8
Other services (excluding own-services)	0.3	0.4	0	0	8.2	8.4
Equals Gross Value Added (GVA) at Basic Price	-7	-2.6	-6.6	-2.5	94.1	93.7
Taxes less subsidies on products	-12.4	2.8	-0.8	0.2	5.9	6.3
Equals Gross Domestic Product (GDP) at Market Price	-7.3	-2.3	-7.3	-2.3	100	100
Net primary income from rest of the world	-4.5	-23.7				
Gross National Income at Market Price	-7.6	-3				

(a) Based on the GDP estimates (base year 2015) (b) Provisional (c) Revised

Source: Department of Census and Statistics

## OUR OPERATING ENVIRONMENT

### Labour Force

As estimated by the Registrar General's Department, the mid-year population in Sri Lanka in 2023 declined by 0.6% to 22.04 Mn, due to a decrease in births and increases in both deaths and net migration. As shown in the Sri Lanka Labour Force Survey conducted by the Department of Census and Statistics (DCS), the economically active population (labour force) decreased to 8.41 Mn in 2023 from 8.55 Mn recorded in 2022. The Labour Force Participation Rate (LFPR), which is the ratio of the labour force to the household population, also decreased to 48.6% in 2023, compared to 49.8% in 2022.

### Inflation and Cost of Living

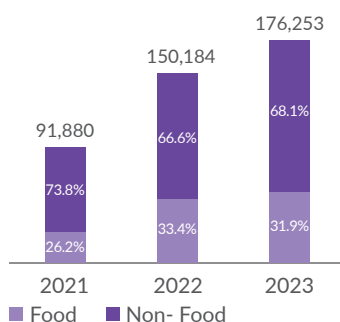
Inflation, which reached historical highs in September 2022, recorded a rapid disinflation process reaching lower single-digit levels towards end 2023. Restrained demand from impacts of tight monetary conditions to the wider economy was the major contributor to this transition on the demand side. Further, the normalisation of domestic supply conditions, moderation of global commodity prices and the strengthening of the Sri Lanka Rupee, also contributed to this rapid disinflation process.

As a result, Colombo Consumer Price Index (CCPI)-based Year-On-Year (YOY) headline inflation was recorded at 4.0% (2021=100) by end 2023 compared to 57.2% (2013=100) by end 2022, while CCPI-based annual average headline inflation in 2023 decelerated to 17.4% (2021=100) from 46.4% (2013=100) recorded in 2022. The National Consumer Price Index (NCPI) based YOY headline inflation also followed a similar path, dropping to 4.2% (2021=100) by end 2023, compared to 59.2% (2013=100) recorded at end 2022, while NCPI-based annual average headline inflation in 2023 decelerated to 16.5% (2021=100), compared to 50.4% (2013=100) in 2022.

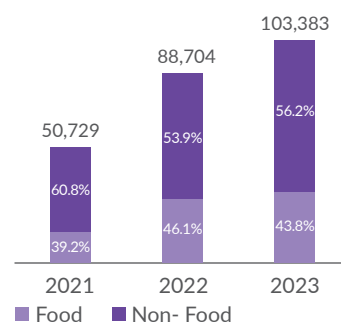
Both official Consumer Price Indices (CPIs), which measure changes in the general price level, exhibited a modest rise throughout 2023. The cost of living, as reflected by the consumer price indices, continued to increase in 2023, although at a slower pace compared to the surge witnessed in 2022.

### Cost of Living, Consumer Price Index and Inflation

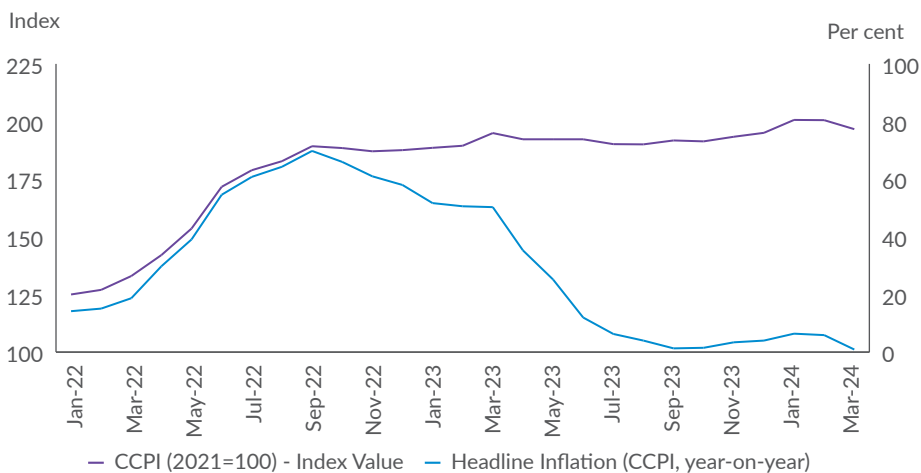
Cost of Living as reflected by CCPI (2021=100) (Rs.)



Cost of Living as reflected by NCPI (2021=100) (Rs.)



### CCPI vs. Headline Inflation



Source: CBSL Annual Economic Review 2023

### Interest Rates

Market interest rates declined significantly in 2023 from notably high levels recorded in 2022. The reduction of market interest rates was driven by Central Bank's monetary policy measures implemented. The administrative measures introduced in August 2023 to reduce excessive lending interest rates and broader guidelines that were introduced to induce a gradual reduction in other market lending rates on rupee loans and advances during the latter part of the year resulted in a decline in market lending rates. Market lending interest rates displayed some downward stickiness as yields on government securities remained at relatively elevated levels. Standing Deposit Facility Rate (SDFR) reduced to 9.0% in 2023 from 14.5% in 2022 and Standing Lending Facility Rate (SLFR) decreased to 10.0% in 2023 from 15.5% in 2022.

## External Sector

Sri Lanka's external sector rebounded strongly in 2023 and demonstrating greater stability, having recorded positive developments on many fronts towards the latter part of the year. The commencement of the IMF-EFF programme in March 2023 and its successful continuation have been instrumental in achieving stability in the external sector. The external current account recorded a surplus in 2023. This was supported by a notable contraction in the trade deficit and significant inflows in terms of services exports and workers' remittances.

Trade deficit for 2023 recorded its lowest since 2010, supported by a larger contraction in import expenditure compared with that of export earnings. The surplus in service sector was from improvement in earnings from tourism with the robust recovery in tourist arrivals. Workers' remittances recorded a significant improvement as a result of continuous departures for foreign employment, reduced consumption of imported fuel for electricity generation and higher net forex purchases by the Central Bank from the domestic forex market, disbursements under the IMF-EFF and foreign financing from multilateral agencies such as the World Bank and the Asian Development Bank (ADB) helped augment government regulations substantially by end 2023.

The external sector recorded a surplus of US dollars 1,559 Mn in 2023, compared to a deficit of US dollars 1,448 Mn in 2022. This surplus was mainly driven by a lower trade deficit of US dollars 4.9 Bn in 2023, compared to a trade deficit of US dollars 5.2 Bn recorded in 2022, improved trade in services, particularly earnings from tourism and a higher surplus donor funds and workers remittances.

## Exports

Earnings from exports recorded US dollars 11,911 Mn in 2023, which is a decline of 9.1% compared to 2022. This decline was influenced by global factors, including high cost of living and economic downturn in major export destinations and geopolitical tensions, which resulted in reduced demand for Sri Lankan exports. Domestic factors, such as higher operating expenses and supply constraints of intermediate goods adversely impacted the overall competitiveness of exports.

Export earnings as a percentage of GDP in 2023 declined to 20.4% from 21.6% in 2022.

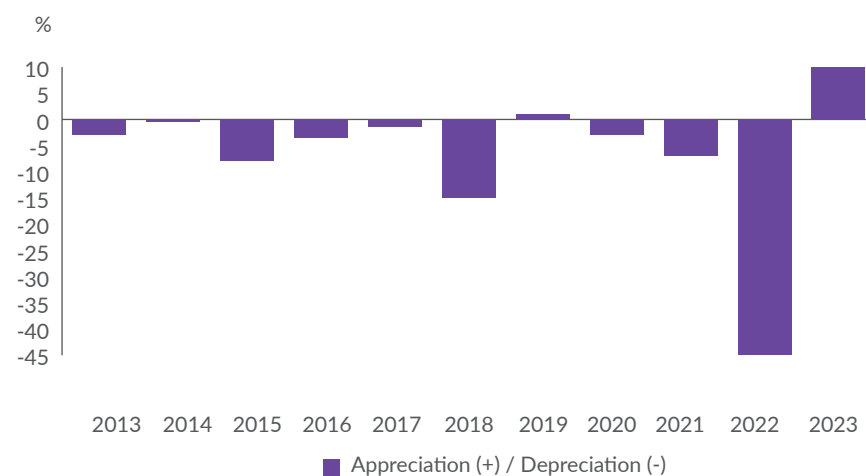
## Exchange Rate

The Sri Lanka rupee, which depreciated by 44.8% against the US dollar in 2022, appreciated by 12.1% in 2023. Central Bank encouraged flexibility and market driven activity in the domestic forex market. Favourable market sentiments subsequent to the commencement of the IMF-EFF arrangement in March 2023 also helped the exchange rate to appreciate.

Further, the receipts of the special policy based loan for budget support from Asian Development Bank(ADB) in May 2023 and the World Bank financing in June 2023 were conducive to the improvement in market sentiments.

The Sri Lanka rupee recorded the highest appreciation of 24.8% against the US dollar since the beginning of the year by 08 June 2023. The rupee recorded an appreciation in the latter part of the year despite some intermittent volatility.

## Exchange Rate Appreciation / Depreciation



Source: CBSL Annual Economic Review 2023

## OUR OPERATING ENVIRONMENT

Factor	Impact and Response
Inflation	<p>The business managed to maintain minimal price changes throughout the year supported by lower inflation rates in commodities and business inputs. However, inflated costs persisted, pressuring the Company to find more cost-effective methods and enhance efficiencies.</p> <p>Consumer disposable income declined over the year, however, purchasing power is expected to gradually recover as the country's economic environment improves.</p> <p>CFL plans to adopt optimal pricing strategies to offer better value to consumers and remain competitive. Additionally, the Company aims to capitalize on the anticipated reduction in input costs to enhance overall business value</p>
Market Interest Rates	<p>CFL successfully negotiated the credit financing facilities with approved banks, securing contracts that allow for borrowing at more favorable rates. Additionally, as part of its business continuity measures, the Company has expanded its banking credit facilities. The Company expects to make better business by leveraging the financial resources and facilities in the upcoming years</p>
Exchange Rates	<p>CFL faced challenges in reducing the cost of sales during the year due to stocks purchased at higher prices last year as a risk mitigation measure against import restrictions and the forex concerns.</p> <p>However, the Company took steps to liquidate the excess inventory and purchase new stocks at lower exchange rates. With soy flour and related raw materials being the primary imports, the reduction in exchange rates was benefited at the latter part of the year</p>

### Government Policy Initiatives

**Exchange Restrictions and Capital Flow Management Measures** - Government, in consultation with the Central Bank, imposed a number of exchange restrictions and capital flow management measures to overcome the severe shortage of foreign exchange in the domestic foreign exchange market. The Central Bank itself implemented several measures to limit foreign exchange outflows from the country, while encouraging more inflows. Most of such exchange restrictions and other limitations were eliminated in 2023 in line with the gradual improvement in the liquidity conditions in the domestic foreign exchange market and in view of improving the external sector outlook on multiple fronts.

**Relaxation of Import Restrictions** - On the recommendation of the Central Bank, import restrictions were removed in 2023, to relax imports on priority basis, apart from

restrictions on vehicle imports. Relaxation of restrictions on imports of temporarily suspended items. Accordingly, restrictions on imports of temporarily suspended items were removed in three stages in June, July and October 2023, keeping only motor vehicles under temporary suspension.

**Increase in Taxes** - The value added tax (VAT) rate was increased from 15% to 18% in January 2024 adding pressure on retail price of products and consumption choices of public. The increased VAT impacted bottom lines of companies.

### PESTEL ANALYSIS

#### Political Environment

Political stability has been a concern during the last financial which negatively impacted the business. Frequent government changes, policy uncertainty and social unrest have created an unpredictable environment, hindering long-term strategic

planning and investment. However this year, increased political stability has supported business growth and the intensity of concerns have decreased. Government stability has facilitated the decision-making processes, providing confidence for corporates to revive enterprises.

### Economic Environment

Sri Lanka's economic landscape improved during the financial year ended 31 March 2024, promising a more favourable business environment. Inflation significantly decelerated to a single digit by the end of the financial year, down from the peak levels of 70% witnessed in 2022/23. The reduction in inflationary pressures is expected to positively impact consumer purchasing power and increase sales.



	World		Emerging Asia		Sri Lanka	
	GDP growth	Inflation	GDP growth	Inflation	GDP growth	Inflation
2023	3.1%	6.8%	4.7%	4.2%	-3.8%	18.7%
2024	3.1%	5.8%	4.5%	3.3%	1.7%	5.5%
2025	3.2%	4.4%	4.3%	3.8%	2.4%	Not Available

Source :-

International Monetary Fund

Global Economic Prospects, World Bank

Sri Lanka Economy, Asian Development Bank

## Social Environment

Factor	Social Impact	Impact to CFL	Opportunity / Risk
Changing lifestyles of people	Convenient foods like ready-to-eat cereals and portable snacks fit well into the fast-paced routines of modern life, driving demand for these products	High	Busy lifestyles create demand for convenient foods like cereals and snacks. Companies can seize this by offering easy-to-prepare, nutrient-rich options with grab-and-go packaging
New trends on food	The food industry is evolving with plant-based eating gaining popularity for environmental reasons. There is also a growing demand for sustainable protein sources like textured soy protein	High	With the increasing demand for healthier and sustainable food options, there is ample opportunity for businesses to capitalize on emerging trends and enhance profitability
Health consciousness	There is a growing awareness of health and nutrition among consumers. This shift prompts food suppliers to innovate and offer healthier options, such as cereals with reduced sugar content, whole grains and snacks with natural ingredients, to meet the demand for nutritious yet convenient foods	High	The rise in health consciousness among consumers creates to offer healthier options. By developing products with reduced sugar and natural ingredients and leveraging effective branding and partnerships with health influencers, companies can meet the demand for nutritious convenience foods

The social impact of our Company is comprehensively outlined in the Social and Relationships Capital section on pages 73-79.

## Technological Environment

Factor	Technology Impact	Impact to CFL	Opportunity / Risk
Robotic Process Automation (RPA)	Use of RPA in operations and supporting services	High	Improve operational efficiency, boost productivity, reduce costs and enhance customer satisfaction
Digitalization	Using technology to replace the manual operations at business and driving lean operations across every business function	High	Using digitalization to optimize operations, boost efficiency and improve product quality
Cybersecurity Risk	Cybersecurity is essential for protecting sensitive data and maintaining the integrity of systems	High	Increasingly sophisticated cyber threats and attacks

The technological impact of our Company is comprehensively outlined in the Intellectual Capital section on pages 67-72.

## OUR OPERATING ENVIRONMENT

### Environmental Factors

As a manufacturing company, we are committed to implement sustainable practices and continuously strive to minimize our environmental impact through innovative technologies and responsible resource management. The environmental impact of our Company is comprehensively outlined in the Natural Capital section on pages 80-85.

### Legal Environment

We are dedicated to meeting all essential legal requirements and ensuring the timely implementation of new legal mandates. Our commitment to compliance not only reflects our adherence to regulatory standards but also underscores our proactive approach to maintaining the highest levels of corporate responsibility and integrity.

Please refer to the “Corporate Governance” section on pages 87-136 for information on compliance and the status of legal and regulatory requirements.

## SECTOR REVIEW

### SWOT Analysis

Our continuous analysis of Strengths, Weaknesses, Opportunities and Threats have ensured that the Company remains relevant, competitive, innovative and retain market leadership. In the year under discussion, the Company’s SWOT analysis is as below:

<b>S</b> Strengths	<b>W</b> Weaknesses	<b>O</b> Opportunities	<b>T</b> Threats
<ul style="list-style-type: none"><li>• Maintains production continuity and cost efficiency for competitive pricing strategies</li><li>• Benefits from a dedicated and experienced workforce</li><li>• Strength and flexibility to negotiate favourable terms</li><li>• Strong brand recognition and acceptance among consumers</li><li>• Strong distribution network ensures widespread product availability</li><li>• Fast-paced product development and innovation capabilities</li><li>• Ability to adapt to changing consumer trends and preferences</li><li>• Expertise and resources of the parent company, leveraging their support</li></ul>	<ul style="list-style-type: none"><li>• Intense competition and emerging new competitors</li><li>• Differentiating products and standing out in a crowded market</li><li>• Cost increases (due to inflationary impact) in a price-sensitive market</li><li>• Price wars and aggressive promotional activities</li><li>• Reliance and dependency on foreign based suppliers for raw materials</li></ul>	<ul style="list-style-type: none"><li>• Expand market presence overseas</li><li>• Consumer demand for healthier and more sustainable products in Sri Lanka</li><li>• Popularity of e-commerce and online retail channels in Sri Lanka for direct-to-consumer sales</li><li>• Utilizing data analytics and technology for consumer insights specific to Sri Lankan market</li><li>• Partnerships with retailers or distributors in Sri Lanka to market reach and strengthen distribution network</li><li>• Potential acquisitions to expand its product portfolio or enter new market segments</li><li>• R&amp;D for differentiated products that cater to the specific needs</li><li>• Corporate social responsibility initiatives</li></ul>	<ul style="list-style-type: none"><li>• Building long-term customer loyalty due to substitute products and price-sensitive preferences in current economic context</li><li>• Vulnerability to economic downturns or recessions</li><li>• Exposure to volatile currency exchange rates, impacting import costs and profitability</li></ul>

## FIVE FORCES ANALYSIS

Threat of New Entrants	Threat of Substitutes	Bargaining power of Suppliers	Bargaining power of Buyers	Industry Rivalry
<ul style="list-style-type: none"> <li>Moderate entry barriers due to the need for specialized equipment, food safety regulations and initial capital investment</li> <li>Brand recognition and customer loyalty</li> <li>As an established player can leverage economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>Less substitutes for soy protein nuggets and spices. Higher substitute for serials and snack products</li> <li>Shifts in consumer preferences</li> </ul>	<ul style="list-style-type: none"> <li>Bargaining power remains moderate</li> <li>Quality and consistency required for food products make long-term supplier relationships valuable</li> </ul>	<ul style="list-style-type: none"> <li>Numerous choices for consumer, critical to maintain high quality and differentiate its products</li> <li>Customers are often price-sensitive, which puts pressure on the Company to keep prices competitive</li> </ul>	<ul style="list-style-type: none"> <li>Highly competitive, with many players ranging from large corporations to small players</li> <li>Growth in the plant-based and healthy snack segments. It attracts many competitors, intensifying rivalry</li> <li>Compete heavily on product quality, branding, price and innovation to capture market share</li> </ul>

## OUR FOCUS ON SUSTAINABILITY

CFL is determined and committed towards implementing a sustainable approach in our business operations. Sustainability is crucial in ensuring the continuance, credibility and stakeholder confidence in our business and products. Towards this, CFL follows global benchmarks and guidelines in achieving the expected levels of sustainability.

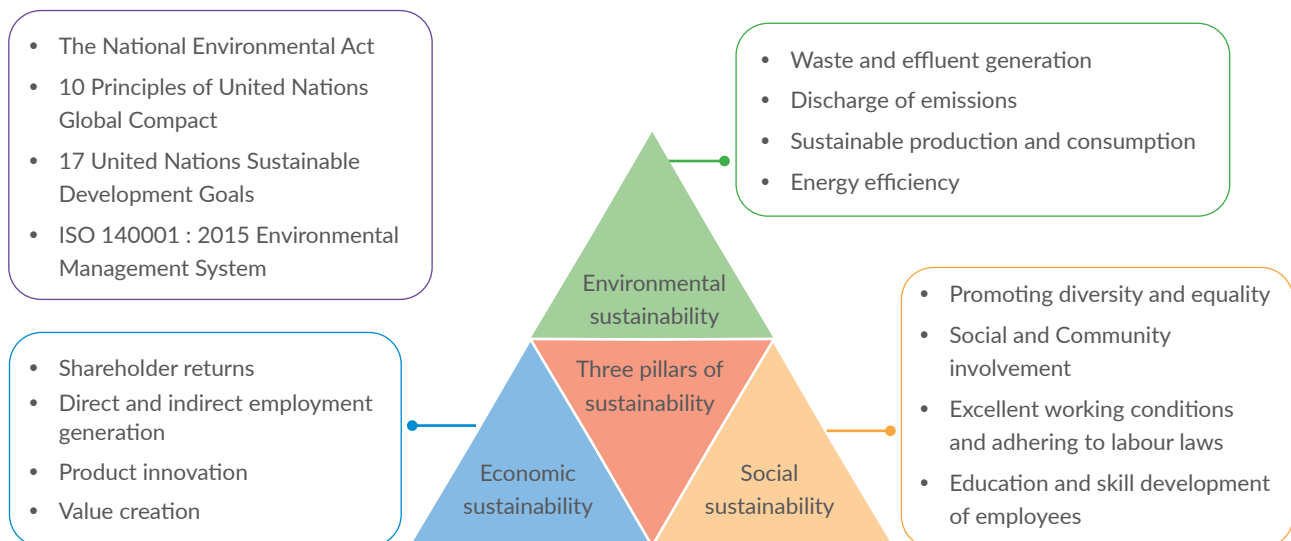
As a food manufacturer, CFL's responsibility towards sustainability is greater. Consumers increasingly and consciously select goods from companies that act ethically,

manage social and environmental impacts of operations. Food being a product that directly consumes and impacts the consumer, the Company also has a responsibility to be accountable and transparent, thereby make sure that customers are assured in the food products, they know what they consume and how ethically they are sourced.

CFL's sustainability is closely tied with our value chain. Implementing a sustainability strategy help the Company in:

- Business risk management and harnessing opportunities
- Competitive advantage through stakeholder engagement
- Foster and encourage innovation
- Improved financial performance
- Capture new export markets
- Build consumer loyalty and reputation
- Attract and engage employees

### PILLARS OF SUSTAINABILITY



### OUR FOCUS ON ESG

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Promoting environmental education and awareness</li> <li>• Implementation of Resource Efficient and Cleaner Production (RECP) initiatives</li> <li>• Conducting stringent internal and external environmental audits to ensure full compliance</li> <li>• Adoption of sustainable material sourcing practices</li> <li>• Biodiversity conservation and preservation</li> </ul>	<ul style="list-style-type: none"> <li>• Striving to improve access to balanced nutrition and support healthier eating habits in communities</li> <li>• Enhance measures to ensure safety of employees at the workplace</li> <li>• Capacity building through training and development</li> <li>• Improve employees' total well-being</li> <li>• Support communities in need through participatory projects</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance and advocacy</li> <li>• Board composition, structure and oversight</li> <li>• Internal controls, risk management and disclosure</li> <li>• Transparency and disclosure</li> <li>• Policy development and application</li> <li>• Continuous performance monitoring</li> </ul>

## ESG Focus Areas

METRIC		2023/2024	2022/2023
<b>ENVIRONMENTAL</b>			
Energy Management	Energy consumption within the organization Energy intensity (MJ/kg)	2.8	2.7
Water Management	Water consumption (l/kg)	2.8	1.9
Emission Management	Total CO <sub>2</sub> emission for production (CO <sub>2</sub> e/Kg)	0.25	0.24
<b>SOCIAL</b>			
Workplace Health and Safety Management	Lost time accidents (Occurring within the organization)	3	1
Human Capital Management	Investment training and development (Rs. Mn)	7.6	4.1
	Training hours	6,522	6,844
	Total employees	351	355
<b>GOVERNANCE</b>			
Internal Controls and Risk Management	Board structure and independence	Please refer Corporate Governance on Pages 87-93	
	Ethics and policies		
	Corporate governance		

Please refer performance highlights section on page 14-15.

## SUSTAINABILITY FRAMEWORK AND INITIATIVES (KEY FOCUS AREAS)



### 01. FOOD WITH PURPOSE

As a leading food manufacturer, we help to enhance consumer health and well-being. Quality is a core value of our business and we ensure the delivery of safe and delicious products by using high-quality ingredients and maintaining stringent quality control standards to achieve customer satisfaction.

Consumers are increasingly adopting health and wellness lifestyles and food choices. We are proactively embracing the challenges and opportunities presented by these trends. Our aim is to encourage more Sri Lankans to adopt balanced diets and support the consumption of products that meet global health and wellness standards. We are committed to taking the necessary steps to meet these demands and improve the overall health and well-being of our customers.

We are focusing on this pillar through three key areas:

- Products that address the food and nutrition needs of our consumers



## OUR FOCUS ON SUSTAINABILITY

- Improving access to balanced nutrition through our products
- Supporting better nutrition habits in our community

### 02. PLANET POSITIVE ACTION

#### Climate Action

We recognize that the effects of climate change will have far-reaching implications for the triple bottom line. Integrating climate risk into the Company's sustainability strategy will help address climate change concerns. As a responsible and forward-thinking organization, CFL is dedicated to initiatives aimed at reducing our carbon footprint and contributing to a more sustainable future. Through diligent efforts and strategic actions, we are actively working towards fostering a greener and more environmentally conscious business model. We are also mindful of the impacts of climate change on water security and water quality. We focus on enhancing water efficiency across our manufacturing processes, reaffirming our commitment to sustainable practices that maintain water security and water quality.

CFL's key approaches to achieving greenhouse gas emission targets include:

- Implementing effective data collection and review mechanisms
- Continuously improving energy efficiency
- Transitioning to green energy sources

#### Waste Management

Sri Lanka's waste management processes lag best practices and offer limited solutions to address the increasing risks associated with waste. We recognize the importance of prioritizing robust sustainable waste management systems that encompass all waste-generating points within the value chain. By adopting such measures, CFL aims to achieve substantial cost savings, mitigate risks associated with non-compliance and proactively address potential regulatory interventions.

Recognizing that food packaging is a key contributor to environmental pollution, we are searching ways to shift towards sustainable packaging. This initiative aims to minimize our environmental footprint and innovate towards sustainable alternatives to address real and imminent risks in the future.

As a leading food manufacturer, we have a significant role in minimizing food loss within our value chain, leading to long-term savings. We are working to address food wastage by tracking and implementing measures to reduce food loss in full supply chain from agriculture, storage and transportation to manufacturing, distribution and final consumption.

We manage a diverse range of waste types, including food waste, paper and cardboard, wastewater, polythene, e-waste etc. By identifying critical waste points along our value chain and implementing effective measures, we foster a culture of waste reduction, reuse and recycling, within the business and supply network. This approach helps us minimize our footprint and contribute to a more sustainable future.

Furthermore, the Company is proactively working towards enhancing biodiversity to promote environmental conservation and ecological balance.

### 03. EMPOWERED COMMUNITIES

At our Company, employee health and safety are our topmost priorities. CFL is committed to providing a secure and nurturing work environment for our team. We firmly believe in fostering continuous growth and excellence within our workforce. Through dedicated training and development programs, our employees are empowered to reach their full potential and contribute effectively to the Company's success. Promoting employee well-being remains central to our organizational values and we proactively invest in initiatives that enhance their physical, mental and emotional health, fostering a harmonious and thriving workplace culture.

Our strong CSR-led Company culture has been a pivotal driver of community growth over the years. We recognize the opportunity to strengthen Company platforms that develop value chain stakeholders, address key risks and deliver meaningful and impactful growth to consumer and partner communities, thereby improving their livelihoods.

We understand the significance of developing rural infrastructure as a means to enhance living standards and improve access to essential amenities for rural communities. Our programs aim to elevate these efforts through collaborative initiatives and ongoing community engagement. This pillar is structured around three primary focus areas:

- Inspired workforce
- Support equal access to growth for our communities
- Diverse and inclusive communities

### 04. RESPONSIBLE SOURCING

Addressing the social, environmental, legal and economic impacts of our supply chain has become a top priority for our Company. Ensuring food safety is a critical component of responsible sourcing and we understand that any issues within our supply chains can result in reputation damage, penalties and disruptions, even for circumstances beyond our control.

We support initiatives to enhance the development of the local farming community by sourcing their locally produced materials, particularly spices and grains. Ensuring that our supplier partners grow with us is key to meeting future needs. Streamlining supplier partnership programs and improving supplier engagement mechanisms will help us drive responsible sourcing practices and establish data collection mechanisms to measure the impact of our operations.

This approach enables CFL to improve productivity, uphold human and labour rights, ensure environmental good

governance, and foster inclusivity and diversity, thereby supporting supplier resilience.

We focus on two different areas under this pillar:

- Responsible sourcing of materials and services
- Responsible and sustainable operations

## 05. GOOD GOVERNANCE

Good governance serves as the cornerstone of our sustainability framework. Our sustainability framework is guided by robust policies to achieve our purpose statement 'To create enriching moments of happiness for people, by being a caring global entity, with a true Sri Lankan identity'.

Under the leadership of the senior management, CFL formulates corporate-level sustainability strategies. The Chief Executive Officer coordinates activities and collaborates with the sustainability team adopting a structured approach which ensures that every sustainability initiative is aligned with our core values and strategic goals, reinforcing our commitment to responsible and transparent business practices.

## ADOPTION OF SLFRS S1 AND S2 REPORTING STANDARDS

The International Sustainability Standards Board (ISSB) has launched two sustainability reporting standards, IFRS S1 and S2 (Sri Lanka Adoption as SLFRS S1 and S2 by the Institute of Chartered Accountants of Sri Lanka), emphasizing the management and disclosure of sustainability and climate-related risks and opportunities, which will be effective for annual reporting periods beginning on or after 1 January 2025.

We aim to offer a more comprehensive perspective on Company performance, elevate transparency and underscore the Company's dedication to sustainable business practices.

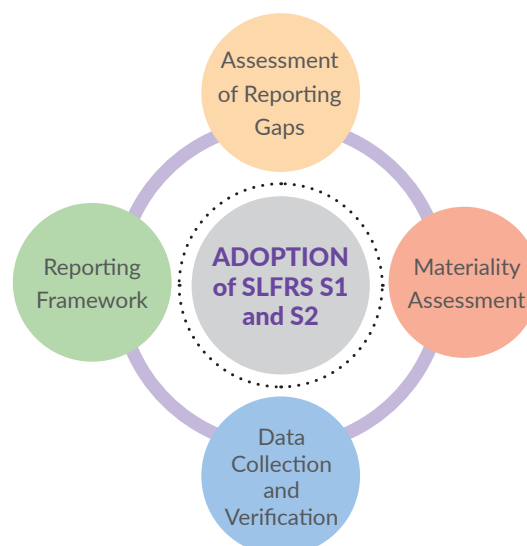
We have enhanced our sustainability-related governance, monitoring and reporting mechanisms in line with the sustainability disclosure standards. These improvements, which are summarized below and elaborated in this report, strengthened governance structures, better monitoring processes and more robust reporting systems.

- Strengthened interdepartmental accountability by defining roles and fostering communication

- Developed a detailed implementation plan considering risks and contingencies
- Established measurable KPIs aligned with strategic objectives
- Implemented monitoring systems to track KPI progress and provided transparent reporting to stakeholders

We are able to enhance long-term value creation, mitigate risks and contribute positive social and environmental outcomes. Below is a demonstration of the Company's action plan to adopt SLFRS S1 and S2.

Action	Description
Assessment of Reporting Gaps	Evaluate the organization's current sustainability practices, data collection processes and reporting capabilities to identify reporting gaps and areas for improvement in terms of disclosures
Materiality Assessment	Reassess a sustainability strategy by identifying material sustainability issues relevant to the organization's business operations and stakeholder interests
Data Collection and Verification	Establish robust processes for collecting, verifying and validating sustainability data.  Ensure that data collection methods are consistent, accurate and reliable
Reporting Framework	Develop a reporting framework that outlines the structure, format and content of sustainability disclosures in alignment with SLFRS S1 and S2



# OUR FOCUS ON SUSTAINABILITY

## OUR IMPACT

Area of Impact	Description of Impact
Sustainability Focused Decision Making	<p>SLFRS S1 and S2 promotes the disclosure of significant sustainability risks and opportunities, prompting CFL to methodically identify and evaluate these factors.</p> <p>This process fosters strategic decision-making that integrates environmental and social considerations alongside financial objectives</p>
Transparency and Stakeholder Engagement	<p>Adoption of SLFRS S1 and S2 enhance CFL's transparency regarding sustainability performance by considering sustainability risks.</p> <p>Such transparency promotes strong investors and stakeholder engagement prioritizing matrix achievements on sustainability matters</p>
Improved Sustainability Practices	<p>The requirements to disclose greenhouse gas emissions and climate risks under SLFRS S2 can help us in benchmarking with other companies in the industry and reduce our environmental footprint accordingly.</p> <p>This could encourage us to explore alternative renewable energy sources or undertake energy conservation initiatives, thus enhancing sustainability practices</p>

## FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

Climate change presents both financial implications and other risks and opportunities for our organization.

**Financial Impact:** Annually, we secure a budget to strengthen our resilience to climate-related risks, which includes initiatives such as obtaining certifications and implementing various energy conservation measures. We are focusing on reducing emissions through flue gas analysis and other relevant strategies. These measures are expected to result in cost savings through improved energy efficiency, reduced operational expenses and mitigation of potential financial losses associated with climate-related disruptions.

**Other Risks:** The Company faces risks arising from extreme weather events, which may disrupt the Company's operations and supply chain.

**Transition Risks:** We are also vulnerable to being impacted by regulatory changes and

market shifts, that could adversely impact our business model and market position.

**Opportunities:** However, we also see opportunities for innovation and market differentiation through the development of sustainable products and services.

## RISK MANAGEMENT AND STRATEGY

The Company implements risk management strategies to address climate-related risks and opportunities:

**Risk Assessment:** Assessments to identify, evaluate and monitor climate-related risks and their potential impact on our business operations and financial performance.

**Mitigation Measures:** Mitigation measures to reduce climate-related risks, enhance resilience and capitalize on opportunities. The risk likelihood and impact on the business are considered when designing, implementing and maintaining controls. These measures include improving energy efficiency and incorporating climate considerations into strategic decision-making processes. We are currently

engaged in research and development projects focused on creating climate-friendly products and services.

**Scenario Analysis:** Utilizing scenario analysis to assess the potential financial impacts of different climate scenarios on our business, enabling informed decision-making and risk management strategies.

## SUSTAINABILITY INITIATIVES AND PROGRAMS

We have implemented sustainability initiatives and programs to address climate change challenges and opportunities. It includes energy efficiency projects, waste reduction initiatives and stakeholder engagement activities. The green initiatives of the Company are detailed in the Natural Capital section on page 80-85.

## PERFORMANCE KPIs AND TARGETS

We track performance trends over time and set targets to improve our sustainability performance. It helps us identify areas for improvement. Targets are set for the energy, water, material consumptions.

## CHALLENGES AND OPPORTUNITIES

We recognize the challenges and opportunities associated with climate change and are committed to managing risks and leveraging opportunities to drive innovation and competitive advantage. We conduct analysis to identify risk and opportunities.

## GOVERNANCE STRUCTURE

Our approach to better governance is detailed in the Corporate Governance section on pages 87-136.

## FUTURE OUTLOOK

Our future sustainability priorities include continued investment in sustainability activities, risk management, stakeholder engagement and reporting enhancements. We remain committed to addressing climate change and building a sustainable future.

# STAKEHOLDER ENGAGEMENT

Stakeholder engagement at CFL is considered a cornerstone for fostering sustainable growth. By actively involving stakeholders in the conversation, CFL's key concerns and priorities are addressed, thereby enhancing its reputation as a responsible corporate entity. Through a deep understanding of the material issues that affect its stakeholders, proactive steps are taken by CFL to meet their expectations. As a dedicated corporate citizen, commitment is made by CFL to create value for its stakeholders, striving for long-term success and sustainability.

## KEY STAKEHOLDER GROUPS

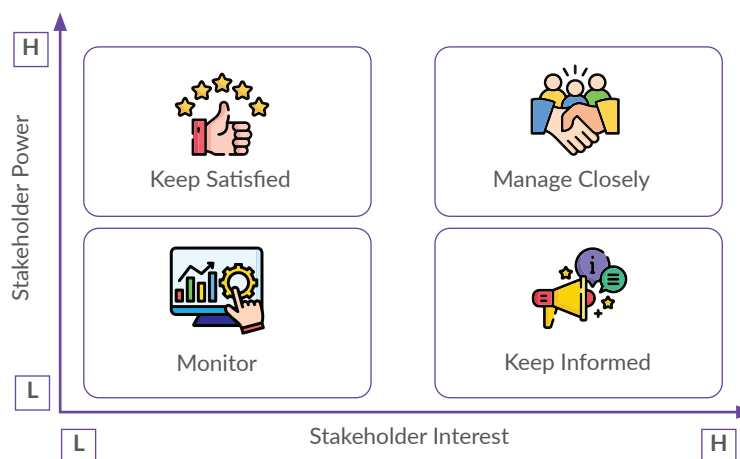
The crucial role played by stakeholders in shaping CFL's economic, environmental and social performance is recognized. Stakeholders are identified by CFL through a thorough internal process, considering associated risks, opportunities and alignment with its business strategy and objectives. These key stakeholder groups include shareholders, employees, customers, suppliers, business partners, government and regulatory bodies and broader communities. Effective engagement with all these groups is highly prioritized by CFL, recognizing that meaningful business benefits result from their involvement. CFL remains attentive to the priorities and concerns of its stakeholders through continuous engagement efforts, utilizing various channels and mechanisms to maintain an open and productive dialogue.

## STAKEHOLDER ENGAGEMENT PROCESS

To ensure inclusivity, transparency, accountability and follow-through, CFL has established a five-step engagement process.




## STAKEHOLDER IDENTIFICATION AND PRIORITIZATION



# STAKEHOLDER ENGAGEMENT

## 1. SHAREHOLDERS

Analysis of Stakeholder	Key Concerns and Our Response	Method of Engagement
<b>Shareholders</b> 	<ul style="list-style-type: none"> <li>Achieving sustainable returns and financial stability</li> <li>Ensuring compliance with regulations and industry standards</li> <li>Promoting transparency in operations</li> <li>Fostering the creation of wealth</li> <li>Delivering a sustainable strategy that meets shareholder expectations</li> <li>Adhering strictly to laws and regulations</li> <li>Fulfilling information expectations in a timely manner</li> <li>Ensuring transparency in all aspects of operations</li> </ul>	<ul style="list-style-type: none"> <li>Holding Annual General Meetings</li> <li>Publishing Interim Financial Statements</li> <li>Making Announcements at the CSE (Colombo Stock Exchange)</li> <li>Engaging in dialogue with investors and analysts</li> <li>Enabling the shareholder communication via Company's Website</li> <li>Publish audited financial statements with independent auditor opinion</li> </ul>

### Shareholder value creation - Key performance indicators

Value Description	Value Driver	2023/2024	2022/2023
Dividends for shareholders	Dividends paid per share (Rs)	4.70	3.50
Dividends for shareholders	Dividend cover (times)	17.54	54.08
Investment return	Return on equity (%)	8.56	21.33
Earning performance	Earnings per share (Rs)	82.42	189.27
Net assets value	Net assets per share	963.12	887.39

## 2. EMPLOYEES


Analysis of Stakeholder	Key Concerns and Our Response	Method of Engagement
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Nurturing a positive and supportive workplace culture</li> <li>Enabling value driven ethical workplace</li> <li>Emphasizing job security and job satisfaction for a thriving workforce</li> <li>Prioritizing rewards and recognition to appreciate employee contributions</li> <li>Providing fair pay and comprehensive benefits</li> <li>Increasing employee engagement through various activities to foster a sense of belonging and commitment</li> <li>Promoting diversity and inclusion</li> <li>Prioritizing training and professional development opportunities to enhance skills and career advancement</li> </ul>	<ul style="list-style-type: none"> <li>Utilizing the intranet for HR-related communications</li> <li>Conducting performance evaluations based on job grades and sign off the code of conduct</li> <li>Conducting meetings and email communications</li> <li>Organizing events</li> <li>Providing training and development opportunities for employees</li> <li>Initiating employee surveys</li> <li>Implementing structured career development programs</li> </ul>

### Employee value creation - Key performance indicators

Value Description	Value Driver	2023/2024	2022/2023
Pay and benefits	Salaries and other benefits (Rs. Mn)	758	747
Learning & development	Training hours per employee	18.58	19.27
Rewards & recognition	No. of promotions	17	21
Diversity	Female participation (%)	14.0	12.4
Employee retention	Employee turnover	85	88



### 3. CUSTOMERS

Analysis of Stakeholder	Key Concerns and Our Response	Method of Engagement
<b>Customers</b> 	<ul style="list-style-type: none"> <li>Emphasizing nutrition of products, value addition and customer satisfaction</li> <li>Providing reliable, high-quality products to attract and retain customers, build trust and drive long-term growth</li> <li>Enhancing quality parameters and the product development process to focus on customer needs</li> <li>Aligning product development with customer expectations and preferences</li> <li>Regularly following customer satisfaction metrics and conducting surveys for feedback</li> <li>Using insights from feedback to improve product offerings</li> <li>Maintaining a customer-centric approach to ensure products meet expectations and result in higher satisfaction levels</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a corporate website</li> <li>Conducting media campaigns and advertisements</li> <li>Engaging in social media interactions with employees</li> <li>Touch points of the value chain of the business</li> <li>Customer feedback surveys</li> <li>Content marketing</li> <li>Community building (Forums, groups)</li> <li>Product demonstrations</li> </ul>

#### Customer value creation - Key performance indicators

Value Description	Value Driver	2023/2024	2022/2023
Products	No. of new products	4	3
Convenience	GT/MT and other channel presence	105,000	100,000
Convenience	Cost incurred to distribution of products (Rs. Mn)	160	140

### 4. SUPPLIERS AND BUSINESS PARTNERS

Analysis of Stakeholder	Key Concerns and Our Response	Method of Engagement
<b>Suppliers and business partners</b> 	<ul style="list-style-type: none"> <li>Building strong partnerships and collaborating effectively with suppliers and business partners</li> <li>Optimizing operations, expanding reach and achieving long-term growth and success in the market</li> <li>Ensuring timely settlements and maintaining strong relationships with suppliers and business partners</li> <li>Upholding trust and maintaining integrity in business dealings</li> <li>Promoting transparency, ethical practices and long-term partnerships</li> <li>Strengthening the supplier and partner network by prioritizing these aspects, ensuring mutual success</li> </ul>	<ul style="list-style-type: none"> <li>Supplier screening and procurement process</li> <li>Conducting business meetings</li> <li>Engaging in negotiations</li> <li>Creating awareness and engaging with suppliers</li> <li>Long-term contracts and agreements</li> <li>Technology integration</li> <li>Supply chain transparency</li> </ul>

#### Supplier value creation - Key performance indicators

Value Description	Value Driver	2023/2024	2022/2023
Suppliers	No. of suppliers	Over 500	Over 400
Convenience	Conversion of cheques to fund transfers	80%	40%
Convenience	Robotic Process Automation invoices processed	20%	0%

# STAKEHOLDER ENGAGEMENT


## 5. GOVERNMENT AND REGULATORY BODIES

Analysis of Stakeholder	Key Concerns and Our Response	Method of Engagement
<b>Government and regulatory board</b> 	<ul style="list-style-type: none"> <li>Complying with relevant laws and regulations and practicing good corporate governance</li> <li>Adhering to applicable laws and regulations to demonstrate commitment to ethical conduct and responsible operations</li> <li>Implementing good corporate practices to promote transparency, accountability and sound decision-making</li> <li>Ensuring timely submission of returns with accuracy and completeness</li> <li>Fulfilling tax obligations and making timely payments</li> <li>Committing to compliance by following directives and circulars appropriately to adhere to regulatory guidelines</li> <li>Promoting transparency, minimizing risks and upholding legal responsibilities</li> <li>Mitigating potential penalties and fostering a reputation of integrity and good governance</li> </ul>	<ul style="list-style-type: none"> <li>Submitting returns</li> <li>Following directives and circulars</li> <li>Meeting or discussing with government and regulators</li> <li>Formal correspondence and reporting</li> <li>Transparency and disclosure practices</li> <li>Adherence to ethical standards and codes of conduct</li> </ul>

### Government and Regulators - Key performance indicators

Value Description	Value Driver	2023/2024	2022/2023
Tax	Total tax payments (Rs. Mn)	142	127
Compliance	No. of compliance certificates	7	7

## 6. COMMUNITIES

Analysis of Stakeholder	Key Concerns and Our Response	Method of Engagement
<b>Communities</b> 	<ul style="list-style-type: none"> <li>Mitigating social and environmental damages through effective planning and monitoring</li> <li>Making corporate contributions to the community</li> <li>Reducing resource consumption</li> <li>Actively addressing social and environmental impact with a commitment to sustainability</li> <li>Creating positive social and environmental impact for a more sustainable future</li> <li>Implementing waste and paper recycling</li> <li>Adopting eco-friendly practices and prioritizing energy savings</li> <li>Contributing to environmental sustainability and resource conservation</li> <li>Committing to reducing the ecological footprint</li> <li>Conserving resources and reducing greenhouse gas emissions</li> <li>Demonstrating environmental stewardship and inspiring positive change</li> <li>Contributing to a greener and more sustainable future</li> </ul>	<ul style="list-style-type: none"> <li>Conducting environmental impact assessments and implementing mitigation initiatives</li> <li>Engaging in community projects and CSR initiatives</li> <li>Communicating initiatives through public, social media and the corporate website</li> </ul>

### Community value creation - Key performance indicators

Value Description	Value Driver	2023/2024	2022/2023
Employment opportunity	No. of new staff recruits	82	79
Community initiatives	No of Community Engagement Activities	21	16
	No of Waste Segregation Bins Provided	7	1

# IDENTIFYING MATERIAL MATTERS AND CONDUCTING MATERIALITY ASSESSMENTS

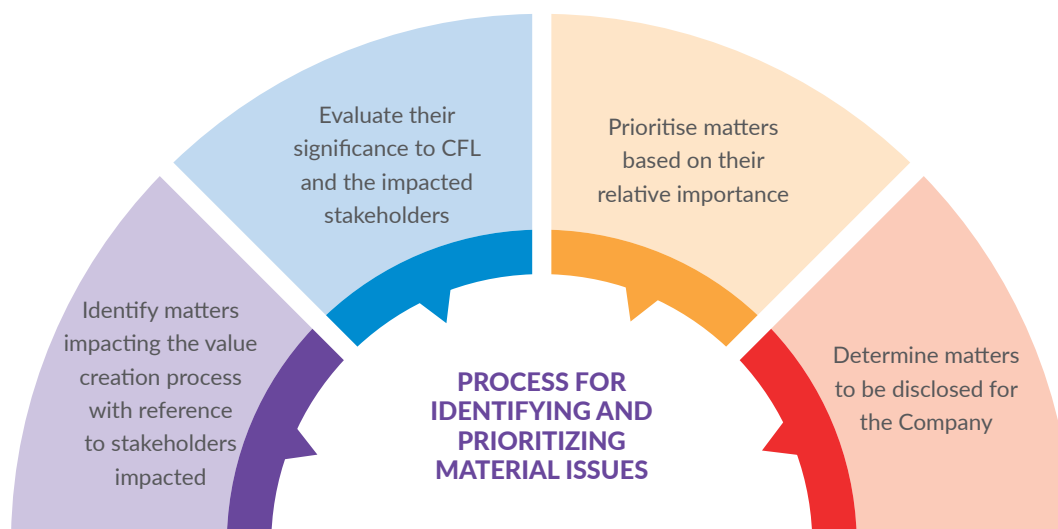
## IDENTIFYING MATERIAL MATTERS

Stakeholder perspectives hold utmost importance to us and we deeply value their input in identifying material matters that affect our business. Matters raised during management meetings undergo comprehensive discussions and significant concerns are presented at Board meetings for careful consideration. Our responses entail proactive measures, employing a variety of engagement methods to facilitate transparent and collaborative communication, thus nurturing mutual understanding.

## MATERIALITY ASSESSMENT PROCESS

We conduct a thorough materiality assessment to prioritize the issues that have the greatest impact on our business, communities and the environment, as well as those that are most important to our stakeholders. To ensure long-term success, we recognize the need to engage in societal discourse and align our overall business performance, positive and negative societal impact, with the expectations of our shareholders, stakeholders and society at large. Understanding the Environmental, Social and Governance (ESG) topics that are most relevant to these groups is crucial. By comprehending their perspectives on social, economic, environmental and governance matters, we can effectively address concerns, engage in constructive dialogue and better manage our business. Our internally developed reporting principles and systematic materiality assessment process guide us in identifying and understanding the most significant ESG issues for CFL. This assessment enables us to recognize the perceptions of our internal and external stakeholders regarding our economic, social and environmental impacts across the value chain, as well as associated risks and opportunities. It helps us prioritize impactful areas and informs our strategic decision-making process.



The process for identifying and prioritizing material issues is as follows:








## MATERIALITY ASSESSMENT



We apply the principle of materiality to evaluate our strategic priorities and assess the significant matters included in sustainability. In the 2023/24 period, we enhanced our methodology to determine and prioritize the material topics that hold the utmost importance for our Company and stakeholders. The importance of each material topic, both internally and externally, is periodically determined and validated. We prioritize these identified material matters based on their significance to stakeholders and their impact on CFL's economic, environmental and social aspects.


# IDENTIFYING MATERIAL MATTERS AND CONDUCTING MATERIALITY ASSESSMENTS

MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Sustainable Financial Performance</b>  Generation of sustainable financial performance  Impact – Critical  Risk of high volatility in shareholder return in the current business environment	<ul style="list-style-type: none"> <li>Challenging environment persisted throughout the year with the reduced customer disposable income</li> <li>Risk Management process is followed to mitigate the impact on performance</li> <li>Rewards are linked on variable performance- based KPIs</li> <li>Focus on improving the financial position</li> </ul>	KPI target based financial performance matrices embedded to strategy
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Cost structure changes to have more variable cost lines</li> </ul>	<b>UNSDG:</b> 
	GRI : 201-1	<b>ASSOCIATED CAPITALS :</b>   Pages: 48-53

MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Sustainable Manufacturing Methods</b>  Development of sustainable manufacturing methods  Impact - Significant  Minimizing negative environmental impacts from business activities	<ul style="list-style-type: none"> <li>Practicing the 3R concept to optimize material usage and other resources through waste reduction</li> </ul>	Sustainable business continuity planning
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Economically sound processes by minimizing negative environmental impacts while carefully conserving energy and natural resources</li> </ul>	<b>UNSDG:</b> 
	GRI : 302-1, 303-1/2/5, 305-1/2, 306-2	<b>ASSOCIATED CAPITALS :</b>  Pages: 54-57   Pages: 80-85






MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Diverse, Employee Health &amp; Engagement</b>  Availability of an increasingly engaged, diverse and capable workforce  Impact - High  Mitigate challenges of workforce capabilities	<ul style="list-style-type: none"> <li>Equal opportunity employer and transparent recruitment policies</li> <li>Health and safe working environment</li> <li>Fair performance management system</li> </ul>	Promote human capital with priority in driving business objectives
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Place greater emphasis on fostering diversity and demonstrating a stronger commitment to improving employee health and well-being</li> </ul>	<b>UNSDG:</b> 
	GRI : 401-2, 403-1/3/5/6/9, 405-1, 408-1, 409-1	<b>ASSOCIATED CAPITALS :</b>  Pages: 58-66






MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Brand Building and Certification</b>  Following customer trends, changing patterns and benchmark our products against international brands  Impact - Critical  Ability to servicing the customers' needs and create value	<ul style="list-style-type: none"> <li>Compliance and quality certifications</li> </ul>	Continuous business growth
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Lankasoy being the market leader continued to dominate the category by driving key brand values</li> </ul>	<b>UNSDG:</b> 
	GRI : 417-1, 418-1	<b>ASSOCIATED CAPITALS :</b>  Pages: 67-72

MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Customer Expectation</b>  Dependent on garnering a wide customer base by offering competitive offers to achieve customer requirements – Critical  Ability to improve customer satisfaction and create brand loyalty	<ul style="list-style-type: none"> <li>Customer complaints handling process</li> <li>Customer relationship enhancement</li> <li>Customer satisfaction enhancement</li> </ul>	Market growth Market share
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Customer relationship enhancing activities</li> </ul>	<b>UNSDG:</b> 
	GRI : 416-1, 418-1	<b>ASSOCIATED CAPITALS :</b>  Pages: 73-79



# IDENTIFYING MATERIAL MATTERS AND CONDUCTING MATERIALITY ASSESSMENTS

MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Sound Corporate Governance, Internal Controls and Risk Management</b>  Availability of sound corporate governance, internal controls and risk management practices  Impact - Significant  Mitigating impacts on reputational risk and financial impact	<ul style="list-style-type: none"> <li>Risk Management Process</li> <li>Corporate Governance Best Practices</li> <li>Review of design and operational effectiveness of internal controls</li> </ul>	Business continuity Protection of assets
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Place significant emphasis on establishing sound corporate governance practices, robust internal controls and effective risk management frameworks</li> </ul>	<b>UNSDG:</b>   
	<b>GRI : 2-12</b>	<b>ASSOCIATED CAPITALS :</b>  Pages: 67-72   Pages: 73-79

MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Community Involvement</b>  Adaptation of strategic approach towards sustainability and strives to embed the principles of sustainability into its strategic agenda and daily operations  Impact - High  Ability to recognize the organisation as a socially responsible entity	<ul style="list-style-type: none"> <li>Community job opportunities created</li> <li>Community focused events and activities</li> <li>Community based donations</li> </ul>	Corporate citizenship
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Building better nutrition practices</li> <li>Empowering communities</li> <li>Greening our business</li> </ul>	<b>UNSDG:</b>    
	<b>GRI : 413-1</b>	<b>ASSOCIATED CAPITALS :</b>  Pages: 73-79

MATERIAL FOCUS AREA	2023/24 EXPERIENCE	STRATEGIC ALIGNMENT
<b>Product Quality and Innovation</b>  Creation of a Centre of innovation and greater balance in its product portfolio with food quality and certification  Impact - Significant  Ability to meet customer expectations for quality standards and food safety	<ul style="list-style-type: none"> <li>Products are labelled responsibly, in a transparent and comprehensible manner</li> <li>Certifications to ensure the products meet the quality and food safety</li> </ul>	Customer value creation
	<b>FUTURE EXPECTATION :</b> <ul style="list-style-type: none"> <li>Further enhancing product quality and driving innovation within the Company</li> </ul>	<b>UNSDG:</b> 
	GRI : 417-1	<b>ASSOCIATED CAPITALS :</b>  Pages: 67   Pages: 73

# FINANCIAL CAPITAL



Financial Capital



## HIGHLIGHTS

### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

#### SDG 08 - Decent Work and Economic Growth



- Income tax and SSCL Contribution to national economic growth +Rs.250 Mn during the year
- Timely and accurate payment of other direct and indirect taxes and duties
- Promoting fair wages and timely disbursed Rs.757.8 Mn
- Payment of bonus to encourage the employees
- Investing Rs.7.6 Mn in employee training and development to enhance skills and productivity

#### SDG 09 - Industry, Innovation and Infrastructure



- Property, Plant and Equipment value Rs.609.26 Mn
- Investment decisions to acquire and development Rs.44.91 Mn in building, Rs.23.03 Mn in machinery, Rs.8.23 Mn in furniture fittings and fixtures, Rs.1.26 Mn in tools and equipment and Rs.10.28 Mn in POS equipment
- Innovations in industry growth through 4 new product introductions
- Allocating funds for research and development projects that drive innovation and technological advancements

## FINANCIAL PERFORMANCE

	Unit	2023/24	2022/23	%
Revenue	Rs. Mn	6,298.08	8,041.40	-21.68
Gross Profit	Rs. Mn	1,618.45	1,949.83	-17.00
Operating Profit	Rs. Mn	397.48	920.37	-56.81
Net Finance Expense	Rs. Mn	29.19	272.92	-89.30
Earnings Before Interest and Tax (EBIT)	Rs. Mn	437.82	942.20	-53.53
Profit Before Tax	Rs. Mn	368.29	647.44	-43.12
Profit After Tax	Rs. Mn	226.66	520.51	-56.45
Gross Profit Margin	%	25.70	24.25	5.98
Net Profit Margin	%	3.60	6.47	-44.36
Earnings Per Share	Rs.	82.42	189.27	-56.45

Our financial capital reflects the Company's overall financial performance, position and stability. It offers management and shareholders insight into how the strategies and efforts of the year have influenced the Company's profitability. Consequently, financial capital plays a crucial role in shaping the Company's financial and strategic planning initiatives. The Company maintains strong financial governance and internal controls to mitigate potential financial risks arising from internal and external factors. CFL remains committed to upholding the highest levels of transparency and integrity in all our transactions, fostering trust among our stakeholder groups.

Having recognized the importance of managing financial capital to sustain and grow our business, we focus on the below areas in our daily operations.

- Strategic Financial Planning
- Robust Financial Controls
- Continuous Improvement and Lean Operations
- Stakeholder Engagement
- Effective Working Capital Management

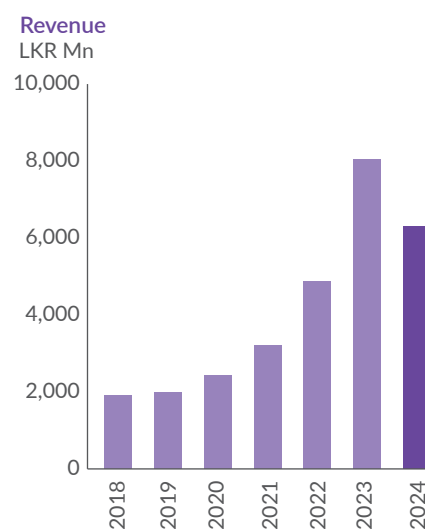
The financial year 2023/24 under review presented significant challenges for CFL, reflecting the socio economic and external challenges of the country. The Company faced challenges in sourcing at affordable prices due to inflationary and exchange rate pressures, rising operational costs impacted to have reduced margins. The Company's financial performance was impacted by market conditions that led to a topline drop which in turn affected profit targets. Despite facing hurdles, CFL has remained resilient, showcasing prudent financial management in navigating its business.

### Revenue

The Company's total net revenue for the year was Rs. 6,298.08 Mn, representing a 21.68% decline from the previous year. This decrease was primarily due to unfavourable market demand conditions and lower disposable income levels among consumers, which negatively impacted overall volumes. Both sales volume and value fell as a result of reduced consumer disposable income. Nevertheless, our export revenue grew by 15%, reflecting the Company's strategy to expand its presence in international markets.

Lankasoy generated gross revenue of Rs. 4,669 Mn, maintaining its position as the market leader in the soya meat category. Though we could maintain our market share, sales volume declined due to high inflation and reduced consumer purchasing power, which led to a drop in market demand. The Company made efforts to ensure product availability nationwide, reaching all communities at affordable prices through our sales and distribution strategy. Additionally, the Company introduced smaller pack sizes and pricing options for soya protein to enhance affordability.

In the snacks and cereal categories, revenues (gross) were Rs. 244 Mn and Rs. 452 Mn, respectively, both experiencing a decrease in demand during the first quarters of the year, which impacted sales volumes and revenues. Sera spices contributed 11% to the revenue, while coconut milk and salt reported gross revenue of Rs. 444 Mn. Both product categories are in the early stages of market development and are expected to grow in the coming years.



## FINANCIAL CAPITAL

### Gross Profit and Operating Profit

The decline in revenue negatively impacted profit targets for the year and reported a total gross profit of Rs. 1,618.45 Mn, reflecting a 17.00% decrease compared to the previous year. However, the gross profit margin percentage remained stable at 25.70%, indicating improved efficiencies in internal processes despite challenges from increased costs and pressure on low sales volumes. To address external challenges affecting performance, we implemented various sourcing strategies, including negotiating better prices with suppliers and diversifying our supplier base.

The Company has internally absorbed price increases due to the recent VAT hike, without passing the burden onto consumers. We are mindful of the economic hardships faced by Sri Lankans. As the prices of other food products fluctuate and increase, the Company has worked hard to enhance internal process efficiency to keep prices stable. Despite these challenges, we have continued to supply high-quality, nutritious and convenient products to the market, ensure job security, support our stakeholders and strengthen our brands to become more resilient in the future.

Our operating profits were significantly affected by the lower top-line performance along with increased fixed operational costs. Consequently, operating profits decreased by 56.81% for the year. We focused on expense rationalization and efficiency improvements to mitigate the impact of rising costs.

### Net Finance Expense

CFL took initiatives and conscious efforts to manage finances, including income and expenditure, during the year, focusing on settling borrowings and overdrafts. The Company successfully settled all borrowings, including overdrafts, reducing financing costs by 76.41%. Additionally,

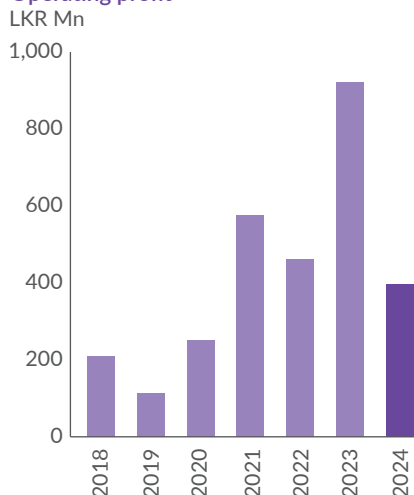
surplus cash generated from operations was placed in short-term deposits, increasing finance income by 84.76%. By effectively managing interest expenses through settling borrowings and generating positive cash flows from operations, we ended the year with Rs.963.88 Mn in fixed deposits, significantly reducing interest expenses from Rs.284.56 Mn to Rs.59.19 Mn and earning interest income of Rs. 38.45 Mn.

### Net Profit

Profit after tax (PAT) for the fiscal year 2023/24 was reported at Rs. 226.67 Mn, a decrease of 56.45% from the Rs. 520.50 Mn recorded the previous year. This decline in PAT was further impacted by increased corporate income tax rates of up to 30% imposed by the government. As a result, the PAT margin dropped to 3.60% from 6.47% the previous year. Earnings per Share (EPS) also decreased by 56.45%.

While the results may be mixed, we believe in the foresight of our strategies, which will pay off in the coming years, building a stronger, more resilient and sustainable business that can grow, expand and create exceptional value for our stakeholders.

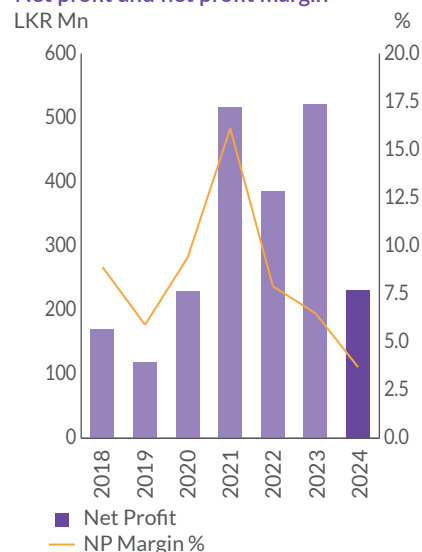
### Operating profit



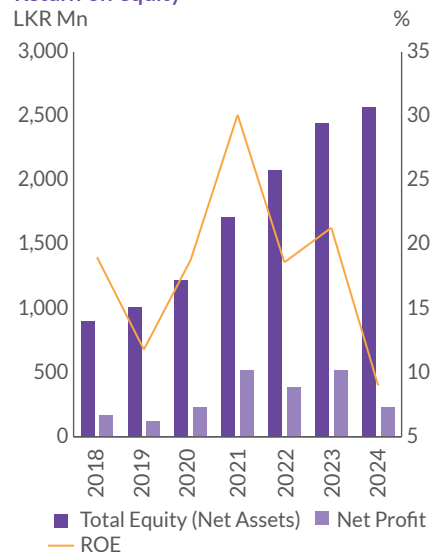
### Return on Capital Employed (ROCE)/ Return on Equity (ROE)

The Company's ROCE was 16.53% and ROE was 8.56% for the year ending 31 March 2024. Management aims to improve returns next year by leveraging the current favourable and strong financial position to operate the business more efficiently and expansively.

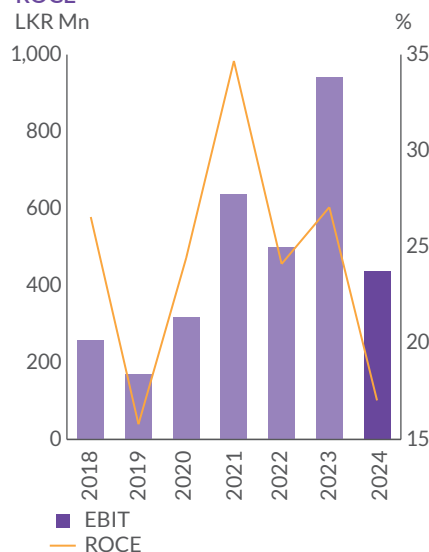
### Net profit and net profit margin



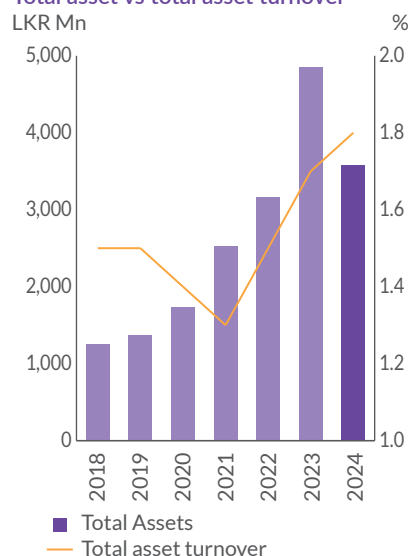
### Return on equity





ROCE  
LKR Mn

## Total asset vs total asset turnover



## FINANCIAL POSITION

Extracts/Key Lines (Rs. Mn)	2023/24	2022/23	%
Property, Plant and Equipment	609.26	619.61	-1.67
Total Non-Current Assets	720.56	746.20	-3.44
Inventories	885.04	2,335.62	-62.11
Short Term Investments	963.88	-	100.00
Cash and Cash Equivalents/ Overdrafts	128.79	(28.30)	555.06
Total Current Assets	2,850.31	4,112.42	-30.69
Total Assets	3,570.87	4,858.62	-26.50
Total Equity	2,648.57	2,440.33	8.53
Total Non-Current Liabilities	214.89	199.65	7.63
Total Current Liabilities	707.41	2,218.64	-68.12

## Capital Structure

Our capital structure demonstrated positive growth compared to the previous year. While stated capital and other equity reserves remained unchanged, while retained earnings increased from Rs.2,346.19 Mn to Rs.2,554.44 Mn in 2023/24, reflecting an 8.53% growth in shareholder equity. Furthermore, the settlement of Rs.1,040 Mn in interest-bearing debt resulted in a fully equity-financed financial position by the end of the current year, compared to last year's debt-to-equity ratio of 0.43. These improvements highlight the Company's commitment to maintaining a robust equity base and financial strength, positioning us well for further expansion through leveraging.

## Funding Profile

Year	Shareholders' Fund (Rs. Mn)	Borrowings (Rs. Mn)
2021	1,714	-
2022	2,076	-
2023	2,440	1,040
2024	2,649	-

## Asset Base and Funding Profile

The business's financial position has improved significantly, settling all the debts existed and investing positive cash flows in short term investments.

The Company's total assets decreased by 26.5%, from Rs.4,858.62 Mn to Rs.3,570.87 Mn, as the Company reduced the inventories and improved customer collections and settled interest-bearing borrowings. The excess stock purchased with borrowed funds had previously inflated the asset base. However, with the repayment of these borrowings, the current ratio improved to 4.03, representing an 117.38% increase in liquidity.

A significant increase was recorded in cash and cash equivalent from a net over-draft of Rs.28.3 Mn last year to Rs.128.79 Mn in the year under review.

The Company used its assets more efficiently during the year, optimizing them for revenue generation. The total asset turnover ratio improved slightly to 1.76 times this year, compared to 1.66 times last year.

## FINANCIAL CAPITAL

As a leading food manufacturing establishment, we have remained steadfast in our commitment to optimize our resources to deliver value to a wide customer base, business partners and the communities we collaborate with.

### Investments

Investments in property, plant and equipment remained at an asset value of Rs.609.26 Mn which is of a slight variance compared to last year. During the year, the Company's new investments in property, plant and equipment was Rs.87.7 Mn, maintaining a similar investment level made last year of Rs.85.5 Mn. The investments include regular upgrades and replacements of building, machinery, fittings, equipment and technology enhancements. The Company made a total investment of Rs.44.9 Mn for the improvement of production facilities while Rs. 23.02 Mn in upgrading machinery, Rs.8.23 Mn in furniture fittings, Rs.1.26 Mn in tools and equipment and Rs.10.28 Mn in POS assets.

In a drive towards innovation and growth, the Company continued its investments to improve and introduce new technologies and processes. The investment in research had been recorded as an expense as per LKAS 38.

### Cash Flows and Liquidity Position

We rigorously monitored our cash flows to ensure optimal utilization of financial capital. Periodically, we closely tracked both inflows and outflows, using cash budgeting as a key control mechanism. Performance indicators were regularly presented at management and Board meetings, where future action plans were thoroughly discussed and aligned with the Company's short and medium-term strategies. Monthly

and quarterly financial reports were diligently prepared in accordance with the adopted financial reporting frameworks and distributed to senior management and the Board of Directors.

The Company improved cash conversion cycle, reflected in a substantial positive cash flow from operating activities amounting to Rs.2,228.26 Mn, a significant improvement from the previous year's negative Rs.1,582.18 Mn. This increase was driven by better management of working capital, reduced interest expenses and conversion of stocks into cash. The operating cash flows generated had been used to improve both liquidity and financial strength of the business, primarily through substantial investments in fixed deposits ranging from 3 Months to 12 Months (Rs.963.88 Mn) and repayment of all borrowings (Rs.1,040.00 Mn). The Company's net cash and cash equivalents increased by Rs. 157.09 Mn, ending the year with a positive balance of Rs. 128.78 Mn, indicating improved liquidity and financial stability. Despite the reduced operating profit, the net cash generated from operating activities in 2023/24 was Rs.2,228.26 Mn, a substantial improvement from the net cash used of Rs.1,582.18 Mn in 2022/23.

The Company's liquidity position improved from 2022/23 to 2023/24. Despite a decrease in total current assets, the reduction in current liabilities was even greater, resulting in a healthier current ratio. This improvement reflects enhanced financial stability and operational efficiency, better positioning the Company to manage short-term financial commitments. Sustaining this strong liquidity position is vital for maintaining financial health and supporting future growth initiatives.

### Earnings Per Share (EPS) and Dividend Per Share (DPS)

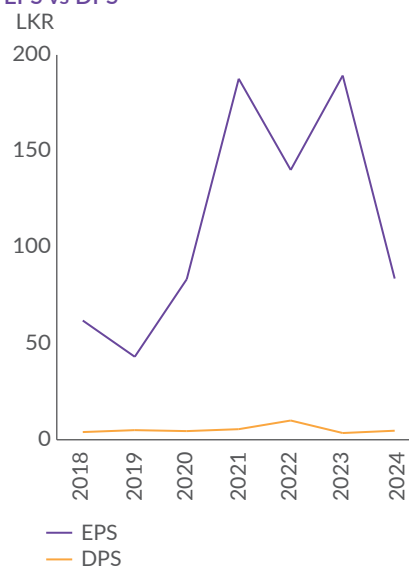
The Company announced a first and final dividend of Rs.4.70 per share (DPS) for the financial year ended March 31, 2024, to be approved at the annual general meeting. The same amount of dividend was paid last year.

The Earnings per share decreased by 56.45% to Rs.82.42 per share, from Rs.189.27 last year.

### Performance of the Share

During the year, the highest trade share price was Rs.1,299.75 and the lowest trade share price was Rs.855.00. The year-end share price of the Company as of 31st March 2024 was Rs.920.00 per share as compared with the same period last year, which was at Rs.1,208.00. CFL recorded a market capitalization value of Rs.2,530 Mn as of 31st March 2024, compared to Rs.3,322 Mn at the end of the previous financial year.

#### EPS vs DPS

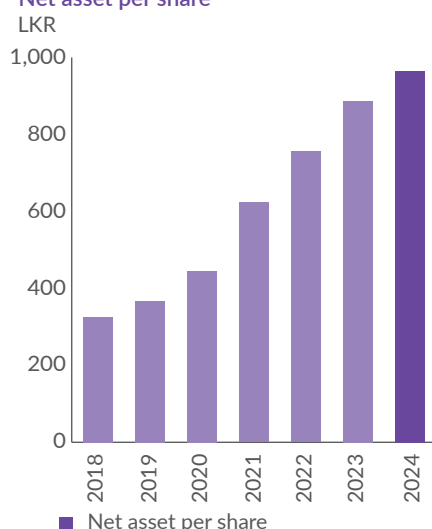


## Tax Impact Summary

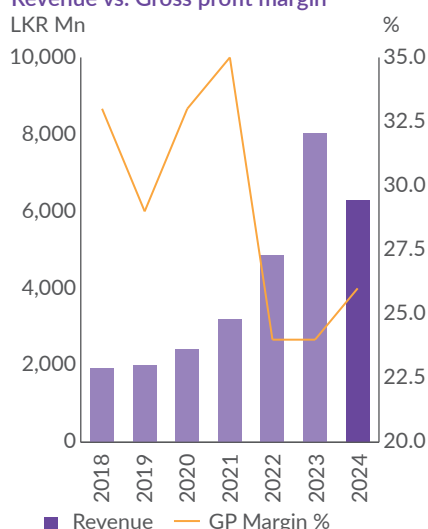
The taxation environment plays a critical role in shaping the financial landscape of the Company. In the recent financial years, our Company has navigated through various changes in tax regulations and policies that have impacted on our operations and financial results. This section of the annual report will provide an overview of the key tax-related developments and implications for our financial performance.

Change in Taxes	Timeline	Impact on Our Business			
Introduction of Social Security Contribution Levy (SSCL)	From October 01, 2022	Average cost escalations by 2.5% on liable inputs			
Increase in Corporate Income Tax Rate	From October 1, 2022, the corporate income tax rate increased up to 30 %	6 Months from last year and 12 Months in current year got impacted			
		Provisional Tax Computation (Rs. Mn)			
		Last year impact		Current year impact	
		18%	71.95	-	-
		24%	5.85	-	-
		30%	67.86	30%	114.94
VAT rate increase from 15% to 18%, Removal of VAT Exempted Goods	From January 01, 2024	All of our product margins were affected by a 3% increase due to VAT. Additionally, coconut milk products, which were previously exempt, are now impacted by an 18% VAT increase			
Reduction of VAT and SSCL Registration Thresholds for Business	From January 01, 2024	Intermediaries are liable to pay VAT and SSCL  The VAT threshold reduced to an annual turnover of Rs. 60 Mn (from Rs. 80 Mn) and Rs. 15 Mn per taxable period (from Rs. 20 Mn)			

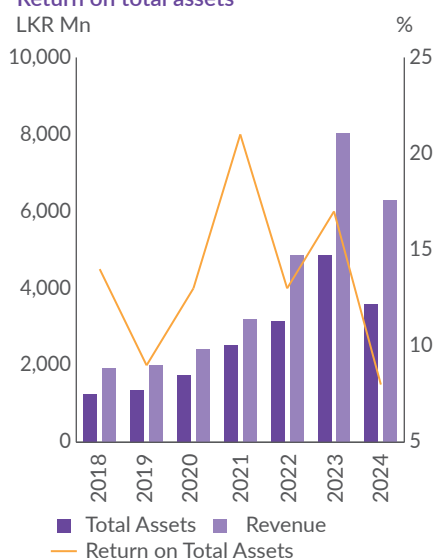
Net asset per share



Revenue vs. Gross profit margin



Return on total assets



# MANUFACTURED CAPITAL



Manufactured  
Capital



## HIGHLIGHTS

### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

#### SDG 02 - Zero Hunger



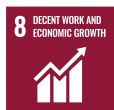
- Over 4,600 MT of soy protein food produced
- Over 250 MT of cereal and 100 MT of snacks produced
- Over 650 MT of spices produced
- Over 20 MT of soups produced

#### SDG 07 - Affordable and Clean Energy



- Energy consumption reduced by 18.4%
- Resource Efficiency and Cleaner Production (RECP) audits to identify the viable solutions
- Implementation of ISO 50001:2018 Energy Management System

#### SDG 08 - Decent Work and Economic Growth



- Contribution to national economic growth over Rs. 250 Mn in taxes
- Direct and indirect employment opportunities provided to over 350 persons
- No child labour employed
- No material issues pertaining to the employees and industrial relations of the Company during the year

#### SDG 09 - Industry, Innovation and Infrastructure



- Property, plant and equipment value Rs. 609.26 Mn
- Investment for total fixed assets of Rs. 87.71 Mn
- Developments in existing facilities Rs.28.41 Mn
- Rs.16.5 Mn for new building for roast spice plant
- Investment for machinery installation Rs.23.03 Mn
- 4 new products introduced

## SUSTAINABLE DEVELOPMENT GOALS (SDGs)

SDG 12 - Responsible  
Consumption and Production

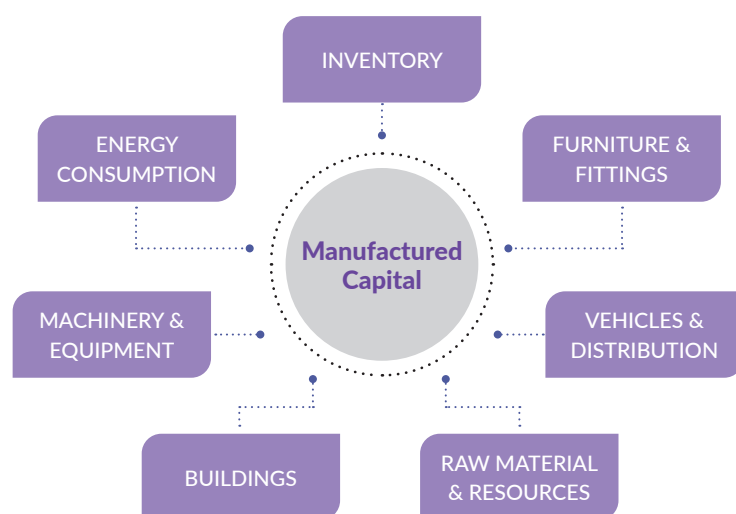
- Selling mass scale affordable protein foods to nearly 3.3 Mn of population
- Invest in R&D to develop new sustainable products and technologies, focusing on reducing environmental impact

## MANUFACTURED CAPITAL

		2023/24	2022/23	%
Property, plant and equipment (PPE) at NBV During the year	Rs. Mn	609	620	-2
Value of PPE	Rs. Mn	1,175	1,119	5
Capital expenditure	Rs. Mn	88	85	3
Depreciation of PPE	Rs. Mn	93	78	20

Our manufactured capital consists of the physical assets and resources utilized by the Company for its operations. These include the manufacturing plants, machinery, tools and equipment, vehicles, warehouses, branch offices and all other tangible fixed assets. During the year, these assets are frequently updated and maintained to ensure efficiency and productivity of our manufacturing process. Towards this end, the Company's continuous investments in upgrading technology, infrastructure and equipment are of high importance to deliver quality products to end consumers.

## OUR MANUFACTURED CAPITAL COMPOSITION



- **Buildings:** Office buildings, factory buildings, warehouses and other structures are included in this category
- **Machinery and Equipment:** Machinery used for the manufacturing of our products such as boiler, turbines, heat and extrusion machines, separation machineries, storage tanks and equipment and others
- **Energy Consumption:** The types of energy used to produce our products from grid electricity, LPG, diesel, furnace oil and other types of energy sources used are included in this
- **Inventory:** Inventories are our assets: (a) held for sale in the ordinary course of business, (b) in the process of production for such sale; and (c) in the form of materials or supplies to be consumed in the production process
- **Furniture and Fittings:** Support infrastructure that makes the working environment comfortable and worker friendly for efficient working conditions
- **Vehicles and Distribution:** Transport, logistic arrangement and distribution are key in ensuring that the products are delivered and made available to our consumers and customers
- **Raw Material and Resources:** Our production relies on a number of raw materials from soy flour, spices and potato flakes in our food offerings



# MANUFACTURED CAPITAL

## FIXED ASSET COMPOSITION

The production of these foods rely largely on the efficiency and productivity of our manufactured capital in ensuring that the end consumer receives, affordable and high quality food products conveniently made available in a timely manner. During the year under review, we have initiated and implemented several measures towards enhancing our manufactured capital.

We made improvements in our machineries to enable low temperature grinding technology for spice processing that allows to retain the high quality and purity of the spices made available through CFL.

PRODUCT PORTFOLIO				
Product Category	Lankasoy	Nutriline	Sera Range	Snacks
Current products	<ul style="list-style-type: none"> <li>Lankasoy</li> <li>Chickosoy</li> <li>Malusoy</li> <li>Vegesoy</li> <li>Mince Mix</li> <li>Meaty Soy</li> </ul>	<ul style="list-style-type: none"> <li>Chocoblobs</li> <li>Chocochips</li> <li>Chocograins</li> <li>Honey Bee</li> <li>Lemon Crunch</li> <li>Grainberry</li> <li>Cornchips</li> </ul>	<ul style="list-style-type: none"> <li>Sera Soup</li> <li>Sera Coconut Milk</li> <li>Sera Salt</li> <li>Sera Spices</li> </ul>	<ul style="list-style-type: none"> <li>Tetos Tomato</li> <li>Tetos BBQ</li> <li>Tetos Cheese</li> </ul>
New products	<ul style="list-style-type: none"> <li>Authentic Sri Lankan Spice Mix 80 g</li> <li>Lankasoy Podi Pack 40 g</li> </ul>	-	<ul style="list-style-type: none"> <li>Whole Spice Range</li> </ul>	<ul style="list-style-type: none"> <li>Hotatoez 90 g</li> </ul>

## MANUFACTURING FACILITIES

### Capacity Enhancement

Our manufacturing facilities are located in Ratmalana and is a premises with over 55,000 square meters.

Our ability to reach more markets and target groups with expanded varieties and new products rely on our ability to increase production capacity within our manufacturing facilities. Optimizing our

## PRODUCT DIVERSIFICATION

During the year, we invested in growing our product portfolio focusing on additions to our existing range by introducing new varieties and flavours as well as in new product development. Currently, the product mix offered to the domestic and global markets include soya nuggets, cereals, soups, spices and snacks.

## Machinery and Equipment

CFL's production facilities are equipped with specialized and advanced machinery that improve the efficiency and speed at which our food products are manufactured. The machinery and equipment at our facility are maintained and upgraded frequently to ensure their optimal functioning at all times.

During the year under review, CFL's total investments to enhance the manufacturing facility was Rs. 28.41 Mn. This included upgrades, expansions and maintenance of the facility. Of this, approximately Rs.16.5 Mn worth for new building for roast spice plant and equipment were introduced to the facility while existing machinery were upgraded and maintained at a value of Rs.23.03 Mn. These in turn contributed towards the efficiency and production improvement.

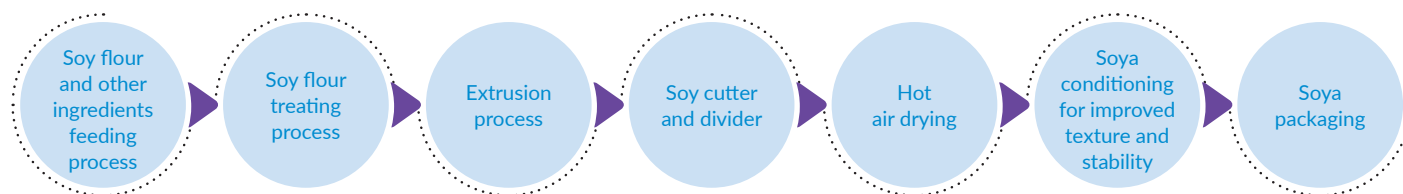
## EFFICIENT PRODUCTION SYSTEM

The production facility at Ratmalana is equipped with tools and machinery for the complete product cycle. Through the systematic processes and systems incorporated into the production process, the Company has ensured the end products retain the healthy goodness of the food items used, enhance the quality of the consumer product, increase the efficiency and productivity of the factory.



factory capacity is a crucial factor in production planning, taking into account various parameters including process speed and design. Currently, the facility operates at higher capacity level. The Company invests in regular upgrades, maintenance of our production units combined with infusion of new technology to ensure the facility functions at optimal capacity. During the year under review, CFL has successfully increased the capacity of our product segments.

## Our Soy Manufacturing Process



## SUSTAINABLE MANUFACTURING METHODS

The Company has embraced operational efficiency and productivity enhancements through the implementation of economically viable processes that prioritize minimizing environmental impacts and conserving energy and natural resources. This approach includes optimizing material usage, energy consumption and resources, while practicing the 3R concept (Reduce, Reuse, Recycle) to reduce waste. By setting KPIs to minimize wastage, the Company has achieved significant improvements in safety, quality, manufacturing line productivity and cost management. Ongoing awareness and training programs have also fostered a safety-conscious and quality-oriented culture.

- Energy consumption reduced by 18.4%
- Wastage reduced by 0.9%

## MAINTAINING PRODUCTIVITY

The organization places a strong emphasis on enhancing productivity through employee collaboration. In these initiatives, CFL employs methods indicated below to manage and monitor productivity:

Policies Towards Increased Productivity	
Policy Implemented	Impact Created
Kaizen	<ul style="list-style-type: none"> <li>• Continuous improvement and cross-functional teams input</li> <li>• Empowering employees with responsibility and ownership, they actively engage in innovation-driven projects</li> </ul>
Lean Manufacturing Principles	<ul style="list-style-type: none"> <li>• Streamline operations</li> <li>• Eliminating non-value-added activities</li> <li>• Minimizing waste and overproduction</li> <li>• Improve management of inventory, defects, over-processing, etc</li> </ul>
Total Productive Maintenance	<ul style="list-style-type: none"> <li>• Ensure optimal machine utilization and performance</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>• Provide monthly, quarterly goals to achieve in order to manage production and increase efficiency</li> </ul>
Progress Review Meetings	<ul style="list-style-type: none"> <li>• Performance review meetings regularly assess progress in production and new product development</li> <li>• Monthly targets are set, analyzed and corrective actions are taken if necessary</li> </ul>

## NETWORK AND DISTRIBUTION

The Company reaches its consumers through an efficient and streamlined distribution network. This distribution network consists of valued intermediaries and varied assets. The distribution network ensures easy and timely access to the partners and consumers.

Network	Number (Qty)
Channel partners	Over 250
Retail partners (approximately)	Over 100,000
Modern trade partners	Over 50

## Overseas Network

CFL continued to export its products to selected overseas markets. CFL's expansion has increased the Company's distribution network to include export partners and overseas distributors, in return providing global visibility in international retail chains.

## ENSURING HEALTH AND SAFETY

We place great value on the health and safety of our manufacturing workforce. We regularly conduct health and safety initiatives across the organization, ensuring a culture of safety. The Company's

OHS (Occupational Health and Safety) committees engage with the manufacturing staff regularly to ensure workplace safety and health. The committees consist of representatives from all levels of the organization. To ensure the development of a safety conscious culture, OHS related Key Performance Indicators (KPIs) have been integrated into employee performance evaluations.

# HUMAN CAPITAL



Human Capital



## HIGHLIGHTS

### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

#### SDG 01 - No Poverty



- Affordable nutritious products to the nation
- Contribution to the development of local supply chains and agriculture
- Employment provided for 351 staff
- New recruitment of 82 staff members

#### SDG 03 - Good Health and Well-Being



- Fostering a work-life balance culture among employees
- Specific policy adopted for health and safety
- Allocated for employee health improvement: Rs.1.69 Mn
- Staff welfare activities conducted (9 events)
- ISO 45001:2018 Occupational Health and Safety Management System Certificated
- Provided comprehensive health and insurance policies for staff with an allocation of Rs. 11.73 Mn

#### SDG 04 - Quality Education



- Employee trainings: Over 6,500 hours
- Skill development workshops: 150 hours
- Education fund for staff members: Rs.7.6 Mn
- Offered scholarships for the top performed children of the staff in the Grade 5 examination

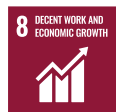
#### SDG 05 - Gender Equality



- During the reporting period, there were no incidents of discrimination reported
- Equal opportunities for all staff within the organization
- Implementing policies to eliminate bias in recruitment and promotions
- Ensuring diverse representation in decision-making roles and on boards

## SUSTAINABLE DEVELOPMENT GOALS (SDGs)

## SDG 08 - Decent Work and Economic Growth



- Employee retention rate: 98%
- Annual performance-based recognition and promotions
- Welfare schemed to support staff: Rs.46.18 Mn
- No child labour employed
- No material issues pertaining to the employees and industrial relations of the Company during the year

## SDG 10 - Reduced Inequalities



- Maintain equal and fair HR and recruitment policies across employment grades
- Promoting diversity and inclusion in the workplace and ensuring equal pay for equal work regardless of gender, race, or other factors

## HUMAN CAPITAL

	2023/24	2022/23	%
Total employees	351	355	-1
Employee retention	98%	98%	0
Salaries and benefits (Rs. Mn)	757.8	746.6	1
Investments in training and developments (Rs. Mn)	7.5	4.1	83
Investments in employee health and safety (Rs. Mn)	13.4	10.3	30
Number of training hours	6,522	6,844	-5
Female employee participation in performance evaluation	49	44	11
New recruitments	82	79	4

CFL's human capital plays a crucial role in achieving organizational growth and success. The Company's human capital captures the workforce, including both our employees and leadership, which form the cornerstone of our Company's strength and resilience, driving us towards our corporate and value objectives. CFL places a great importance in the growth and welfare of the human capital, having recognized the workforce contribution in accomplishing business target and success. CFL consistently endeavoured to empower our staff members and enhance their personal and professional growth through a variety of initiatives catering to their physical and psychological well-being.

## OUR HUMAN CAPITAL COMPOSITION

	As at 31.03.2024		As at 31.03.2023	
	Male	Female	Male	Female
Management/Executive Staff	45	16	43	10
Non-Executive - Support Staff	163	5	172	6
Non-Executive - Factory Staff	94	28	96	28
<b>Total</b>	<b>302</b>	<b>49</b>	<b>311</b>	<b>44</b>

The CFL's workforce stood at 351 full-time employees as at 31st March 2024

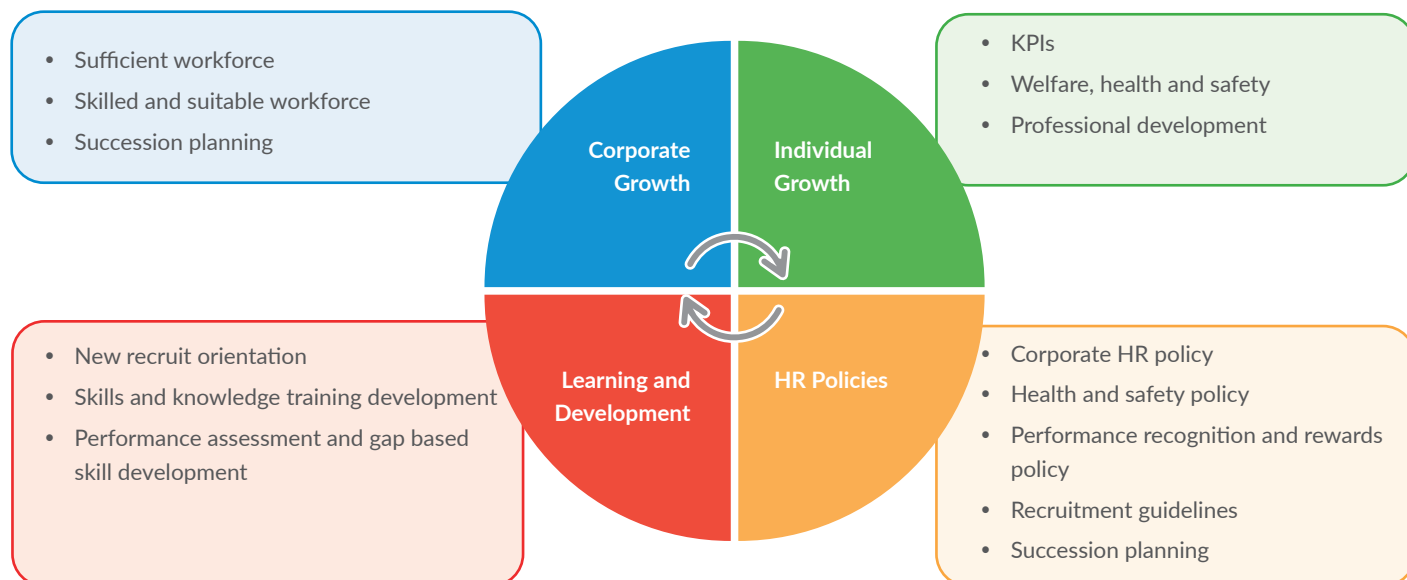
	Female	Male
As at 31.03.2024	14.00%	86.00%
As at 31.03.2023	12.40%	87.60%

## CFL HR FRAMEWORK

CFL HR framework is developed in line with global and industry best practices. Our human capital requires a seamlessly integrated HR framework in line with annual business goals and strategic vision. The HR framework is designed to ensure:

- Standardization of HR, admin systems and policies
- To achieve organizational long-term objectives and performance targets in a sustainable manner
- Implement a talent acquisition, talent management and development mechanism that ensures expert and productive employees
- Create a culture that drives ownership, happiness, retention to engage people emotionally
- Adhere to compliance frameworks that align with regulatory requirements

## HUMAN CAPITAL



## HR GOVERNANCE

CFL's human resource framework is closely tied with the HR framework of the Ceylon Biscuits Limited (CBL). The Group HR division plays a key role driving CFL's HR agenda, ensuring that all HR initiatives are in sync with those of CBL Group strategy and practices.

As part of our governance efforts, all employees are kept aware of the remuneration and benefits policies. The Company maintains transparent and effective communication channels towards this. This includes regular communication through staff meetings, email communication, Company intranet, e-learning platforms and one-on-one manager employee discussions. Open and transparent communication on employee benefits and welfare fosters trust and confidence amongst employees.

CFL HR Policies	About the Policies
Anti-Harassment Policy	Fostering a work environment that is free from harassment for employees, contractors, customers and visitors. Any allegation of harassment will be investigated and appropriate action will be taken
Anti-Corruption Policies	Established anti-corruption policies to ensure ethical conduct and prevent any corruption within its operations. These policies outline strict guidelines and procedures to promote transparency, integrity and accountability throughout the organization
Whistle-blowing Policy	Implemented a whistle-blowing policy that enables employees to report any misconduct, illegal activities, or ethical violations without fear of retaliation. By providing a confidential and secure mechanism for reporting, the Company promotes a culture of integrity, accountability and transparency
Occupational Health and Safety Policy	Established an occupational health and safety policy which sets out guidelines, protocols and targets aimed at achieving zero accidents in the workplace. By implementing proactive measures and providing necessary training and resources, the Company strives to create a safe working environment for all employees
Recruitment: Equal Opportunity Employer	Committed to provide a workplace that is free from gender or racial discrimination. During the reporting period, there were no incidents of discrimination reported, indicating the Company's dedication to maintaining a fair and inclusive recruitment process
Disciplinary Policy	The policy adopts a suitable process to maintain discipline within the Company. To support the implementation, functional heads and managers are kept informed of the disciplinary process
Employee Movement Policy	This encourages and recognizes contribution to business excellence, sustainability and outstanding performance across the Group. This policy and SOP recognize the contribution of employees to the triple bottom line

CFL HR Policies	About the Policies
Grievance Handling Policy	Provides users with guidelines on grievance handling process while providing a transparent mechanism in managing grievances  The primary responsibility to execute, implement, record and offer appropriate communication to affected personnel will be the joint effort of CBL's corporate HR and the Company's HR leads. Further, the CEO, functional heads and Company's HR leads will ensure that the procedure and process set out will be effectively implemented in the Company
No Child Labor, Forced Labor or Unethical Employment Practices	The Company strictly prohibits child labour, underage employment, forced labour and any other form of unfair or unethical labor practices. CFL adheres to the labor laws of Sri Lanka and ensures that these principles are integrated into service provider agreements, with service provider assurance of compliance with the policy requirements. It is important to note that there have been no reported incidents of child labor within the Company to date
Diversity and Inclusion	We recognize the significance of fostering a diverse team, which aligns with our commercial and social goals. Our dedication to inclusivity and equity is integrated into our HR processes, including recruitment, training opportunities, remuneration and promotions  The Company actively celebrates International Women's Day, acknowledging and appreciating the contributions of women in the workplace and society
Employee Code of Conduct	Our Code of Conduct sets the ethical standards for CFL. It ensures compliance with laws and regulations, maintaining professionalism in decision-making

## OUR TEAM PROFILE

With more than 351 employees in our Company, managing the human resource needs and ensuring equal opportunities irrespective of race, religion, gender and other demographics has been a priority under our HR framework.

Province	No. of Employees	Male	Female
Central	53	50	3
Eastern	4	4	-
North Central	15	14	1
North Western	25	23	2
Northern	5	5	-
Sabaragamuwa	32	29	3
Southern	44	39	5
Uva	29	26	3
Western	144	112	32
<b>Total</b>	<b>351</b>	<b>302</b>	<b>49</b>

Diversity, Equity and Inclusion			
Employee Grade	Male	Female	Female %
Senior Manager and above	4	1	20
Manager	12	2	14
Assistant Manager	5	2	29
Executives	24	11	31
Staff (Junior Staff)	21	5	19
Staff (TSO)	142	0	0
Associates	94	28	23
<b>Total</b>	<b>302</b>	<b>49</b>	<b>14</b>



## HUMAN CAPITAL

Employees by Age Distribution	Male		Female		Total	
18<Age<=25	44	15%	1	2%	45	13%
25<Age<=30	82	27%	10	21%	92	26%
30<Age<=35	62	20%	15	31%	77	22%
35<Age<=40	45	15%	4	8%	49	14%
40<Age<=45	27	9%	7	14%	34	10%
45<Age<=50	17	6%	3	6%	20	6%
50<Age<=55	18	6%	8	16%	26	7%
55<Age<=60	7	2%	1	2%	8	2%
<b>Total</b>	<b>302</b>		<b>49</b>		<b>351</b>	

### RECRUITMENT AND EMPLOYEE ATTRITION

In the midst of challenges, CFL maintained an employee turnover of 2%, unchanged from last financial year. Retaining employees at all levels had not been easy during the socioeconomic crisis that prevailed in the country. Employee retention and talent acquisition were key critical HR challenges during the year, especially of key positions to maintain a seamless business operation.

Employee retention efforts focused on employee engagement and ensuring employees' growth through tier-based training programs, career progression plans and internal employees were prioritized when filling vacancies. The Company also

introduced well-being and psycho-social support schemes to support the staff during the difficult economic and social landscape of the year.

Experience	No. of Employees		Male	Female
Below 5	183	52%	163	20
Between 5-10	74	21%	61	13
Between 10-15	40	11%	32	8
Between 15-20	25	7%	23	2
Between 20-25	6	2%	5	1
More than 25	23	7%	18	5
<b>Total</b>	<b>351</b>	<b>100%</b>	<b>302</b>	<b>49</b>

The Company's recruitment strategy included partnering with academic and professional institutions to source talent. CFL's remuneration and benefits policies play a vital role in attracting, retaining and motivating top talent. By providing competitive compensation packages, comprehensive benefits and flexible work arrangements, we strive to create an environment where employees feel valued, recognized and rewarded. This commitment to employee satisfaction not only results in a more engaged and productive workforce but also contributes significantly to the long-term success and sustainability of the organization.

### Employee Turnover by Gender and Age

Financial Year	By Gender		By Age		
	Male	Female	Less than 30	30-49	Above 50 years
2022/23	78	10	67	17	4
2023/24	81	2	47	33	3

New Recruits	By Gender		By Age	
	Male	Female	Less than 30	30-60 Years
2022/23	76	3	57	22
2023/24	77	5	60	22

### Recruitment by Region

Province	Count	
	2022/23	2023/24
North	1	2
North Western	8	10
Western	15	20
Sabaragamuwa	13	10
Eastern	1	1
North Central	6	3
Central	23	17
Uva	4	9
Southern	8	10
<b>Total</b>	<b>79</b>	<b>82</b>

## Employee Wellbeing

CFL promotes employee wellbeing through a multi-disciplinary approach that focuses on all aspects of the staff. The wellbeing concept contains 6 approaches:



Under each discipline, the Company provides awareness, education and continuous evaluation. The wellbeing concept is currently being implemented for associates and staff members of the Company and is expected to be extended to executive category employees in the future.

## EMPLOYEE WELFARE AND EVENTS

The Company encourages a healthy work-life balance for its employees. The HR and welfare society actively organizes events to boost employee satisfaction, engagement and motivation. These initiatives and events showcase CFL's dedication to creating a positive work environment.

The welfare benefits and events during the year include:

Benefits	Events
<ul style="list-style-type: none"> <li>Monthly distribution of free Company product packs to employees</li> <li>Distress loans and welfare loan facilities for employees in need</li> <li>Distribution of food packs containing a range of Company products in January and April</li> <li>Death donation for funerals</li> <li>Scholarships for students who get through Grade 5, Ordinary Level (O/L) and Advanced Level exams</li> <li>Deployment of a nurse aid to provide assistance to employees</li> <li>Free medical assistance and medicine through a visiting doctor</li> <li>Free shuttle transport service</li> <li>Provision of subsidized lunch/dinner options for factory staff</li> <li>Welfare shop</li> <li>Vision and hearing checkup</li> </ul>	<ul style="list-style-type: none"> <li>Celebration of Sinhala New Year (April) and Avurudu Uthsawaya</li> <li>Pirith pinkama ceremony (May)</li> <li>Observance of Poson dansala (June)</li> <li>Annual excursion for employees (July)</li> <li>SHEQ week and Children's Day art competition (October)</li> <li>Christmas celebration (December)</li> <li>Annual get-together, where employees and their families gather (December)</li> <li>Long service award ceremony (December)</li> <li>1st January new year celebration with all religious priests (January)</li> <li>International Women's Day celebration event (March)</li> <li>Employee wellbeing programs arranged every month</li> </ul>

# HUMAN CAPITAL

## TRAINING AND DEVELOPMENT

CFL makes both structured and unstructured learning and development opportunities available for the staff. The Company conducted a 'Training Need Analysis' in line with Company goals and objectives to enhance the learning culture. The new training and development model includes:

- Objective setting
- Mid-year and year-end performance review
- Individual personal development plans
- Succession plans

The training model is implemented on a 70:20:10 ratio basis (70 - on the job training, 20 - learning from others, 10 - structured training). Further, the Company conducted multiple training and development initiatives for each level on a tier basis, focused with practical and immediate investment for generating business returns. Some of these included:

- Induction program for new recruits
- One-on-one sessions between department heads and HR to design the structure of training programs to meet specific training needs
- Tier-based training and development programs
- Introduction of training programs for field staff
- Introduction of e-learning platform across the Company

The Company also conducted training to enhance the technical competencies and soft skills of the employees. Those were:

Technical Training	Behavioral Training
<ul style="list-style-type: none"><li>• Energy Management System (ENMS) expert training</li><li>• Food Safety Management System: HACCP training</li><li>• British Retail Consortium training program</li><li>• Seminar on extrusion technology</li><li>• ABB training program</li><li>• IFRS S1 and IFRS S2 webinar series on international sustainability standards</li><li>• CAPEX training</li><li>• Excel training, Power BI training</li><li>• HR strategies to win business goals in 2024</li><li>• Financial technical knowledge enhancement sessions underlying taxation, reporting standards and auditing</li></ul>	<ul style="list-style-type: none"><li>• Presentation skills and public speaking</li><li>• Strategic thinking and planning training</li><li>• Leadership and change management role</li><li>• Emerging leadership development program</li><li>• Wellbeing programs</li><li>• Coaching and mentoring training</li><li>• Problem solving and decision-making training</li><li>• Being resilient training</li><li>• Kaizen and quality circle training</li><li>• Emotional intelligence</li><li>• Fire training</li><li>• Cybersecurity training</li></ul>

## PERFORMANCE MANAGEMENT

CFL places significant emphasis on its core values of Caring, Quality, Innovation and Integrity. The Company fosters a performance-driven culture that prioritizes meritocracy. To assess employee performance, CFL has implemented the Employee Performance Management System (EPMS). This system evaluates individuals based on objectives, competencies and their adherence to corporate values during the assessment period. It provides a transparent and well-defined framework for evaluating performance, which serves as the basis for determining rewards and remuneration.

The EPMS's primary objective is to guide executives in unlocking their full potential. It recognizes the contributions of employees who exhibit the required competencies and align them with the Company's values, thus enabling the achievement of organizational objectives. The EPMS is designed as a scientific and transparent system that incentivizes executives, ensuring that staff performance is duly acknowledged and providing opportunities for skill development and upward mobility.

The EPMS informs employees about tasks assigned to them within specific time frames. Regular reminders and status checks throughout the assessment period are sent to guide employees. The system evaluates employees based on their performance in job tasks, adherence to values and managerial competencies.

## CAREER DEVELOPMENT AND SUCCESSION PLANNING

CFL implements Performance Management System combined with critical roles identification through the 9-box scientific method. CFL ensures the career development of its high performing employees within the Company. With this in mind, the Company incorporates training with career development and succession planning. This allows employees to perform their best in their current position whilst equipping them to take on higher roles within the Company. The Company seeks to retain high-performers and critical talent by providing opportunities for career progression. This has built a culture of knowledge sharing. Our internal talent pool gets fresh talent through recruitment, internships and other trainee programs.

	Employees who went through the Evaluation Process		No. of Staff Promoted	
	2023/24	2022/23	2023/24	2022/23
No. of staff	302	294	17	21

	Male		Female	
	2023/24	2022/23	2023/24	2022/23
No. of staff participated in performance evaluation process by gender	253	250	49	44

## REMUNERATION AND REWARDS

Employee rewards are determined in adherence with the Company's remuneration policy and ensures fair and equitable treatment of all employees in remuneration decisions. The structure contains a combination of fixed elements and variable components such as annual bonuses and performance-based bonuses which are expected to encourage a performance driven culture. It allows employees to be recognized and rewarded for their individual and team accomplishments. The remuneration structure undergoes regular reviews to ensure alignment with market trends, industry standards and best practices, thus ensuring competitiveness and fairness.

During the year under review, employees were awarded with a competitive pay increase in line with statutory requirements in addition to special welfare schemes designed to enhance the value created for them.

	2023/24	2022/23
Total employee remuneration and post-employment benefits (Rs. Mn)	757.8	746.6

## OCCUPATIONAL HEALTH AND SAFETY (OHS)

CFL is committed to creating a safe and injury-free work environment for all employees and has implemented a comprehensive occupational health and safety framework to safeguard all employees from workplace hazards. The framework consists of OHS Policies,

providing adequate training, encouraging work-life balance, providing employee assistance programs, conducting regular safety inspections, encouraging reporting of safety concerns and promoting healthy habits. In addition, the Company provides comprehensive insurance and OPD cover, which are reviewed annually and upgraded.

CFL is an ISO 45001:2018 Occupational Health and Safety Management System Certificated Company with an inbuilt OHS management system, demonstrating our commitment to maintaining the highest standards of occupational health and safety management. This certification ensures that we provide a safe and healthy working environment for all our employees, reflecting our dedication to their well-being and compliance with international safety standards. The OHS system regularly conducts drills and audits to ensure their relevance and awareness amongst staff.

The Company conducts regular risk assessments, provides safety training, suitable PPE's (Personal Protective Equipment) and enforces strict adherence to safety guidelines. It helped to reduce absenteeism and workplace accidents.

Multiple committees have been established to initiate and implement OHS measures when needed. The committees consist of representatives from all levels of the organization. To ensure the development of a safety conscious culture, OHS-related key performance indicators (KPIs) are integrated into employee performance evaluations.

## HUMAN CAPITAL

OHS Initiatives	
Annually Fire Awareness Program	Fire live demonstration, fire evacuation drills are conducted to aware employees
Training for Emergency Focal Points	To refresh skills and knowledge of safety committee members, fire team and the first aid teams
Safety Health Awareness	Regularly held for all staff members
Emergency Activations and Preparedness	Procedure to follow in emergencies and evacuation plans. These are practiced at regular intervals to ensure employees are well prepared
Onsite Emergency Medical Services and Support	Deploying emergency vehicles onsite, establishing medical centers and appointing dedicated nurses or medical representatives at our facilities
Health Screening	Engage a visiting doctor weekly to attend to our workforce's medical requirements
Wellness Campaigns	Regular eye and hearing campaigns, as well as dental checkups, are consistently carried out and health screening especially for factory staff

Our OHS Policy, integrated within our SHEQ Policy, outlines guidelines, protocols and targets aimed at achieving zero accidents. Through proactive measures, comprehensive training and resource allocation, we strive to foster a secure work environment.

CFL prioritizes occupational health and safety, nurturing a culture of safety awareness and providing the necessary resources to safeguard our employees' well-being.

Health and Safety at the Workplace	2023/24	2022/23	2021/2022
Injuries (Occurring within the Organization)	3	1	2
Lost Time Accidents during the year			
Lost (Hours)	288	18	90
Lost (Days)	32	2	10





## INTELLECTUAL CAPITAL



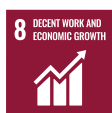
Intellectual  
Capital



### HIGHLIGHTS

#### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

##### SDG 08 - Decent Work and Economic Growth



- Commitment to obtaining global best practice certifications
- Certified with ISO 45001: 2018 Occupational Health and Safety Management System
- Please refer Human Capital on Page 58 for SDG aspects underlying the working environment

##### SDG 09 - Industry, Innovation and Infrastructure



- New products developed – 04
- Investment in research and development
- Investment in system and process improvements Rs.23.03 Mn

#### INTELLECTUAL CAPITAL

	Unit	2023/24	2022/23
Investment in brand marketing and development	Rs. Mn	365.09	264.18
Investments in systems and process development	Rs. Mn	87.71	85.47
No. of new products	No.	4	3
Number of existing products categories	No.	8	8
Quality certifications	No.	7	7
Investment in knowledge and skills development	Rs. Mn	9.86	5.02



CFL's intellectual capital has been built over years of investment and development. CFL intellectual capital fosters the reputation of CBL which has been a strength to our brand success. CFL's intellectual capital consists of brand value, industry experience, research and development, technology, systems and processes, knowledge and skills and leadership.

CFL continued the market leadership and industry respect for the high-quality soy meat products and ethical practices followed. The Company has been recognized and appreciated as a trusted brand in Sri Lanka and been awarded with industry certifications and recognitions for our high quality and ethical policies and processes.

## STRENGTH OF OUR BRANDS

Amidst a backdrop of formidable macro and micro economic challenges and intense market competition, CFL's brands once again demonstrated remarkable resilience in the 2023/2024 period due to high brand equity. The enduring strength and trust of the CBL corporate brand, combined with the individual brand reputations, continued to foster unwavering customer loyalty. Throughout this period, CFL remained steadfast in its commitment to expanding its market share, increasing household penetration, reinforcing brand recall, and optimizing retail shelf visibility.

Over the year, CFL continued to implement a diverse range of above-the-line communication initiatives, loyalty programs, promotional activities and consumer engagement initiatives to strengthen partnerships across the value chain.

According to the Peppercube Retail audit study, CFL brands' market dominance and market share remained strong with top of mind recall. It said that expanded distribution facilitating greater reach, increased presence among retailers, higher household penetration indicated higher consumer access and consumption. Consumers surveys also revealed CFL products having positive brand health metrics of awareness, reach, preference, adaptability and loyalty.

During the year, CFL implemented initiatives to enhance its market presence. The activation numbers for the 2023/2024 financial year are detailed below.

Brand	Events	No of Direct Contacts	No of Indirect Contacts
Lankasoy	1,167	348,690	1,046,070
Sera Range	930	250,750	752,250
Nutriline	445	41,275	123,825
Tetos	28	27,350	82,050

Digital Reach		
Brand	Facebook	Instagram
Lankasoy	3,628,019	431,102
Sera Range*	358,005	39,324
Nutriline	1,653,351	208,010
Tetos	1,600,000	432,100

\* Sera Range Facebook and Instagram pages were newly launched in March 2024



## EXPERIENCE, SKILLS, KNOWLEDGE AND EXPERTISE

CFL is built on years of learning, research, technology, skills and expertise. The Company engages in multiple activities to retain and enhance the in-house experience, skills and knowledge. Over the last 32 years, CFL has amassed invaluable knowledge and experience, enriched our intellectual capital and shaped our organizational prowess.

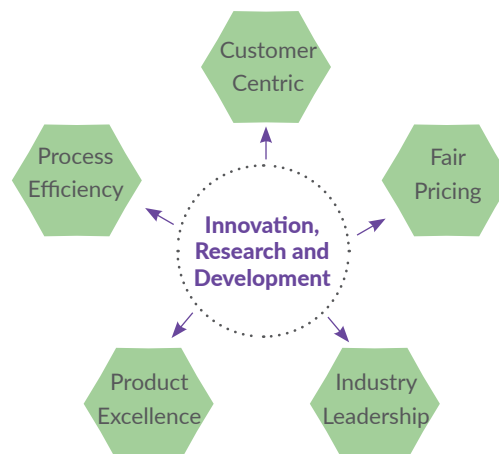
- Promotes formal and informal knowledge-sharing initiatives, such as mentorship programs and internal networking events, facilitating continuous learning and improvement
- Guidelines and manual development to ensure processes, knowledge are recorded for future use
- Investment in staff training to assist that staff skills and knowledge are up-to-date
- Providing incentives to retain longstanding employees with technical experience and expertise
- Technology investments that provide knowledge transfers
- Implemented robust systems and processes to capture, share and leverage employee knowledge effectively
- Foster an environment of open communication and collaboration, encouraging employees to share expertise and insights

## INNOVATION, RESEARCH AND DEVELOPMENT

We are committed to innovation, research and development. Our success at CFL is driven by our dedication to enhancing our product line through a meticulous development process that leverages innovative ideas, market research and the expertise of industry professionals.

The research and development investments mainly focused on product improvements and new product development. With the year's challenges, the Company had to revisit product offering to our consumers and the research efforts in addressing the changing market needs and preferences contributed towards the Company's increase in market share and revenue growth. These costs have been recognised as expenses per LKAS 38 in the financial statements.

Our key research and innovations focus on maintaining key value creation for the Company, employees and the consumer. They are:



### Strategic Research and Innovation Focus

Customer	Customer-centric Products	Keeping our customers' perspectives is crucial in our product development and pricing decisions. Our process and developments account for customer needs, preferences, nutritional advantages, convenience and our commitment to offering health-conscious options
	Value for Money	Ensuring that our pricing offers value for money and aligns with customer expectations is a top priority for us
Company	Market Presence	CFL enjoys wider market coverage in our product segments. Our continued efforts in product innovation and industry standards, are supported by our dedicated R&D team, driving breakthrough solutions and setting new benchmarks
Research and Innovation	Investment in Innovation	CFL remains steadfast in its commitment to innovation, evident through strategic investments in research and development, technology and inventive solutions
	Collaboration for Innovation	Partnerships with esteemed research institutions enhance CFL's innovation potential, fostering advancements in our product offerings
Process Excellence	Efficient Development Framework	Our six-stage plan for new product development ensures efficiency and effectiveness throughout the process
	Production Excellence	CFL maintains production efficiency while challenging conventional boundaries through continuous improvement

## SYSTEMS AND PROCESSES

We take pride in our robust systems and processes in place. This has in turn helped the Company's operational efficacy and productivity. Annually, the Company assesses the systems and processes to identify possible improvements in keeping with advancements in technology and market needs. During the year under review, the Company reviewed the systems and processes and made technological investments of Rs.23.03 Mn in improving these.

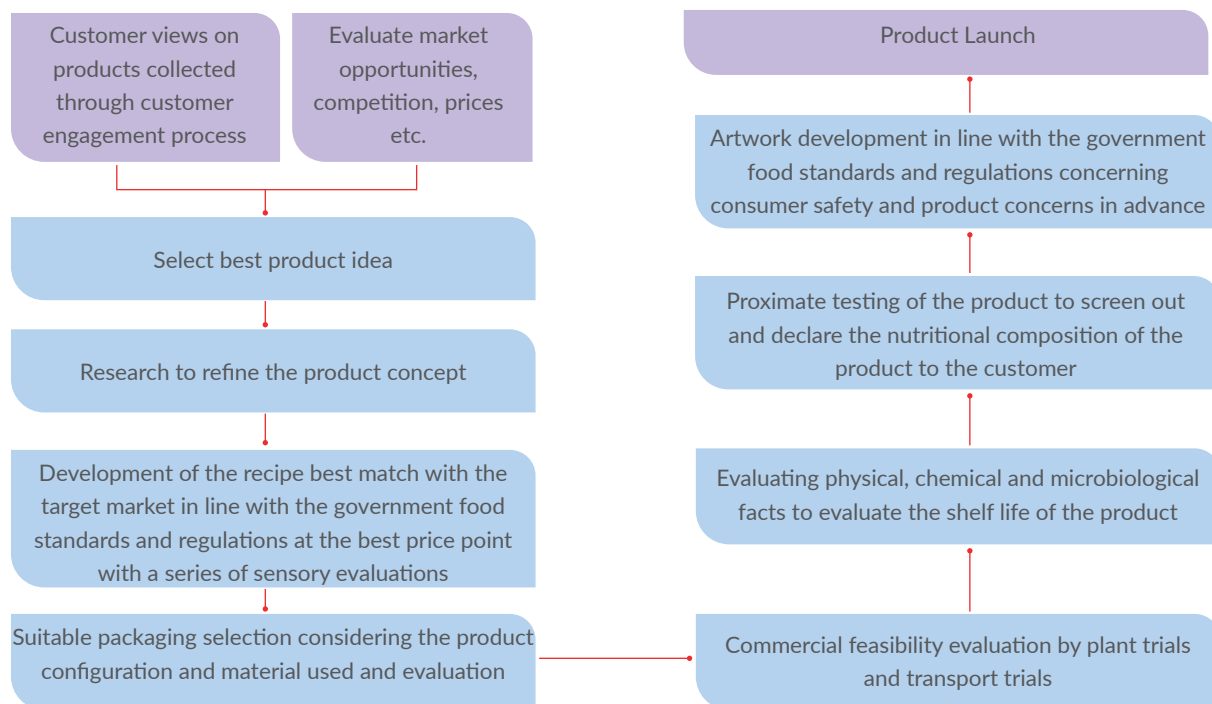
New systems and processes introduced during the year include:

- Spices roaster area mechanical ventilation system
- Compressed air line system and LP Gas system





# INTELLECTUAL CAPITAL

## PRODUCT DEVELOPMENT PROCESS





Our production process has been developed through decades of knowledge, learning and improvements. This is a dynamic process that is continuously reviewed. The product development process incorporates multiple stakeholder perspectives, knowledge, technology, industry benchmarks and layers of research. Incorporated into our product development process is the product quality assessment system that ensures our products remain of high quality.



## CERTIFICATIONS

Compliance Certifications		
	SLS 898: 2017 (Specification for Textured Soya Protein)	This product certification assures compliance with the specifications declared under SLS 898:2017 and ensures product quality
	SLS ISO 9001: 2015 (Quality Management System Certification)	This quality management system demonstrates the organization's commitment to consistently providing products that meet customer and regulatory requirements while striving for continual improvement
	ISO 14001:2015 (Environmental Management System)	This standard focuses on helping organizations identify and control their environmental impact, comply with applicable laws and regulations, prevent pollution and improve resource efficiency. Ultimately, system enhances the Company's environmental performance and contributes to the environmental pillar of sustainability
	ISO 22000:2018 (Food Safety Management System (FSMS))	The standard outlines requirements for identifying and controlling food safety hazards, ensuring food safety status of the products being manufactured, compliance with regulatory requirements and continually improving food safety performance. This system is also a risk based preventive approach, which is continually reviewed and updated by evaluating internal and external changing factors

## Compliance Certifications

	GMP (SLS 143: 1999)	GMP standards cover aspects such as manufacturing processes, facility cleanliness, personnel training, documentation, quality control and product testing. By this certification manufacturing processes are assured to be on par with Sri Lanka standards on codes of practice available in the related discipline and SLS 143
	HACCP (Hazard Analysis and Critical Control Points System)	This is a system that analyzes the physical, biological and chemical hazards which may impact the food safety nature of the product throughout the supply chain and eliminate the risks
	HAC (Halal Accreditation Council)	This certification ensures that the products that are manufactured comply with the Halal certification terms and conditions and standards of HAC
	ISO 45001:2018 (Occupational Health and Safety Management Systems)	This certification specifies requirements for and provides a framework to manage risks and improve OH&S performance within the organisation

## TECHNOLOGY INFRASTRUCTURE

The Company's digital infrastructure plays a key role in CFL's overall business efficiency and productivity. CFL's focus on leveraging its IT strength has driven digitalization initiatives and process improvements across the organization, further enhancing its competitive edge and positioning in the industry. By providing a robust digital infrastructure, cross functional teams have successfully executed digitalization and process improvement projects during the last financial year.

## IT and Digitization Projects

Marketing, Visibility, Branding	<ul style="list-style-type: none"> <li>Development of official corporate website</li> </ul>
Process and Systems improvements	<ul style="list-style-type: none"> <li>Business intelligence system revamp for sales data analysis</li> <li>Invoice automation using RPA</li> <li>Market returns automation with integrating CBL FOCUS and SAP</li> <li>Continuous improvement of IT systems, networks and applications to ensure high performance, reliability and availability</li> </ul>
Cybersecurity	<ul style="list-style-type: none"> <li>XDR implementation to enhance an overall network security</li> <li>ZTNA Implementation to create a secure and efficient remote connectivity platform</li> <li>Web Application Firewall (WAF) implementation for cloud hosted systems</li> <li>Cloud firewall implementation with focus on security enhancement</li> <li>Next Generation Firewall (NGFWaaS) Implementation</li> </ul>

The following actions were already executed to enhance operational efficiency and streamline processes.

## Convenience Foods (Lanka) PLC's Website Development

www.conveniencefoodslanka.com website was developed to enhance accessibility and cater to our stakeholders' diverse needs. We have transformed our value

creation narrative into a digital experience and presented it in formats of different downloadable reports.

## Power BI Revamp

The Power BI revamp project included tackling technical debt, architectural updates, cost optimization, user access improvement, data validation and introducing machine learning. This

transformation will empower CFL to enhance efficiency, enable data-driven decisions and adapt to a dynamic business landscape effectively.

## Supplier Invoice Recording Automation Using RPA

The vendor invoice processing has been automated using RPA within CFL. It was beneficial to reduce the time taken to record information of invoices to SAP.

# INTELLECTUAL CAPITAL

## Market Returns Automation by Integrating CBL FOCUS and SAP

CFL implemented a mobile system, automating the market return process by integrating CBL FOCUS and SAP. This system captures direct return entries via FOCUS system from Salesforce monthly and provides direct return information to store locations for update, confirmation and approval through the mobile application. Finally approved direct return records will be pushed to SAP.

## IT Security, Privacy, Cybersecurity and Data Protection

CFL places paramount importance on IT security, privacy, cybersecurity and data protection. The Company has implemented robust measures in these areas, ensuring the protection for its systems and information.

### XDR Implementation

Implemented the Next Gen Unified Cybersecurity Platform (XDR) and it enhanced an overall network security posture by providing a more comprehensive and integrated approach to threat detection and response. This will help to protect critical data and production applications from both external and internal threats.

### Zero Trust Network Access (ZTNA) Implementation

A ZTNA solution was implemented to create a secure and efficient remote connectivity platform, allowing employees to access their work environment and applications from anywhere. This solution prioritizes data security and compliance while providing flexibility and remote accessibility for employees. The integration of ZTNA provides endpoint visibility through telemetry and ensures that all security components have a unified view of endpoints to provide tracking and awareness, compliance enforcement and reporting.

Implementing ZTNA is crucial for modern businesses due to the increasing need for secure remote access in a world where remote work is becoming the norm. Unlike traditional VPNs, which grant broad network access, ZTNA ensures that only authenticated and authorized users can access specific applications, reducing the risk of unauthorized access and potential data breaches. It enhances overall security posture by continuously verifying user identities and device health, thereby ensuring that access is granted based on strict security policies. This approach not only safeguards sensitive information but also helps businesses maintain compliance with regulatory requirements, making it a vital component of a robust cybersecurity strategy.

### Web Application Firewall (WAF) Implementation

The WAF has been deployed to protect Company information by detecting and blocking known hacking methods and behaviors. It safeguards our web applications from brute force attacks, data breaches and unauthorized content injections. Additionally, it can patch vulnerabilities in web applications even if security updates have not been applied, ensuring continuous protection and compliance with industry standards.

### Cloud Firewall Implementation

We have also re-architected our existing infrastructure to incorporate a cloud firewall for the Azure network. This ensures optimal performance and safeguards sensitive data. The cloud firewall secures public access, prevents unrestricted data access and improves visibility to monitor traffic between cloud resources and external networks.

### Why This Matters?

The implementation of both the WAF and cloud firewall is crucial for our cybersecurity framework. The WAF specifically protects our web applications from targeted threats,

while the cloud firewall secures the overall network environment. Together, they provide a robust defense against cyber threats, ensuring the safety and integrity of our data and systems. These measures are essential for maintaining regulatory compliance and protecting our Company's sensitive information in an increasingly digital world.

### Next Generation Firewall (NGFWaaS) Implementation

Implementing the Next-Generation Firewall as a Service (NGFWaaS) solution for remote locations that were directly connected to the CBL Firewall through the VPN, with providing internet facilities.

Recognizing the potential security risks associated with connecting LANs to the VPN without a firewall and considering the user experience of internet slowness, we took proactive measures to mitigate these security risks and to improve the internet connectivity by implementing an NGFWaaS solution.

CFL's Data Security Initiatives:

- Comprehensive IT security policies to safeguard sensitive information
- Regular vulnerability assessments to identify and address system weaknesses
- Dedicated annual budget for improving IT security measures
- Strong authentication methods and access controls for data protection
- Employee awareness programs on data security best practices
- Quarterly internal audits to evaluate security effectiveness
- Transparent communication of audit findings to the Board Audit Committee
- Proactive adoption of industry best practices in cybersecurity
- Focus on maintaining security, confidentiality and customer trust in the FMCG industry

## SOCIAL AND RELATIONSHIP CAPITAL



Social and  
Relationship  
Capital



### HIGHLIGHTS

#### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

##### SDG 01 - No Poverty



- Rs.757.8 Mn of employee benefits paid
- Over 5,500 MT of total food production
- In a year on an average, we deal with +500 no of suppliers in the value chain

##### SDG 02 - Zero Hunger



- Over 4,600 MT of Lankasoy protein food produced
- Over 250 MT of cereal produced
- Increased production of spices and snacks
- Soya food producer who provides affordable protein products

##### SDG 03 - Good Health and Wellbeing



- Rs.46.18 Mn spent on employee wellbeing and health
- 7 certifications obtained to ensure the product quality

##### SDG 08 - Decent Work and Economic Growth



- Income tax and SSCL Contribution to national economic growth over Rs.250 Mn during the year
- Direct employment opportunities provided to approximately 351 persons



## SUSTAINABLE DEVELOPMENT GOALS (SDGs)

### SDG 11 – Sustainable Cities and Communities



- Implement effective waste management practices in production facilities
- Support community waste management initiatives, such as recycling programs (such as PET Bottle Collection Project, Consumer Wrapper Collection, PP Board Collection Project)
- Educate employees and consumers about sustainability practices

### SDG 12 – Responsible Production and Consumption



- Transparency – product labelling standards
- Efficient use of resources in production processes
- Product compliance, quality and responsibility
- Ensure proper handling and disposal of waste to prevent environmental contamination

## SOCIAL AND RELATIONSHIP CAPITAL

	Unit	2024	2023
Community jobs opportunities created	No	82	79
Customer focused events and activities	No	17	10
Community based donations	Rs. Mn	5.41	0.57
Soy market share	%	+40	+40

Our social and relationship capital is built on the mutual trust and confidence between the Company and its multiple stakeholders. Our stakeholders make a valuable practical and financial contribution towards business growth. CFL maintains a healthy and positive relationship with our stakeholders. We work towards aligning the interests of our business with those of our stakeholders.

At CFL, we recognize that the essence of our brands is based on the relationships we foster with our consumers, customers and community. Throughout the challenges of the year, CFL has remained committed to fostering stakeholder relationships and provided continuous support to our stakeholders.

## STAKEHOLDER PROFILE

### Internal Stakeholders

	<ul style="list-style-type: none"> <li>• 61 executive management staff</li> <li>• 168 non-executive staff</li> <li>• 122 non-executive factory staff</li> </ul>
	<ul style="list-style-type: none"> <li>• 71.38% – CBL Investments Limited</li> <li>• 28.62% – Public</li> </ul>

### External Stakeholders

	<ul style="list-style-type: none"> <li>• +40% market share for Lankasoy</li> <li>• Exports to 30+ countries</li> <li>• Over 250 intermediaries</li> </ul>
	<ul style="list-style-type: none"> <li>• Over 500 suppliers and vendors</li> <li>• Grains for cereal products are sourced through local farmers</li> <li>• Over 100 service providers</li> </ul>
	<ul style="list-style-type: none"> <li>• Environment authorities</li> <li>• Tax authorities</li> <li>• Legal and regulatory authorities</li> <li>• Industry and other associations</li> </ul>
	<ul style="list-style-type: none"> <li>• Focus groups and targeted communities</li> </ul>

## EMPLOYEE ENGAGEMENT

We undertake various initiatives to strengthen the employee-employer relationship. By implementing a comprehensive program that addresses the spiritual, health, professional, family, work-life balance and social aspects of employees, the Company actively engages in targeted activities to nurture and enhance employee relations.

In addition, we implemented a structured and fair system of performance evaluation, recognition and rewards, succession planning that adds value to the contribution of the employees. Further, various activities and training were conducted to strengthen our capacity, raise awareness and transparency on the Company processes.

Employee engagement initiatives are detailed under the Human Capital section of this report on page 58-66.

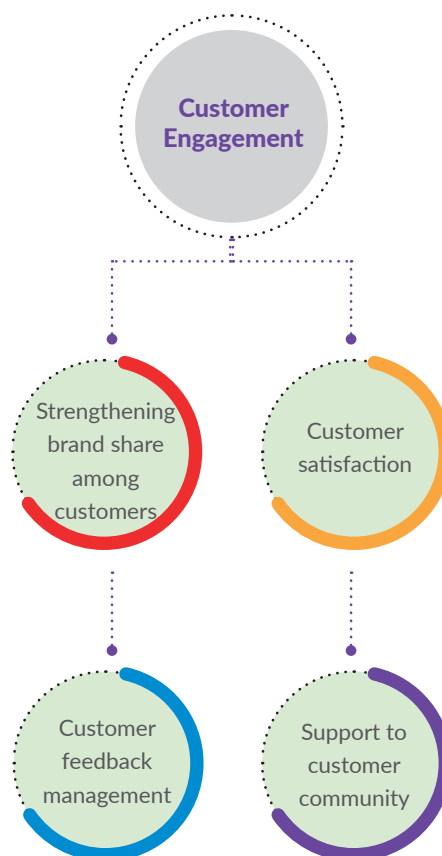
## CUSTOMER ENGAGEMENT

Our commitment to customers remains a key driver of strong market share. It is crucial for the Company to ensure robust customer engagement and maintain their confidence in our products, operations and credibility.

During the year under review, CFL successfully served a wide-ranging customer base with our diverse product offerings, covering the entire country.



Product	Impact
Lankasoy	Lankasoy upheld its market leadership position, maintaining a strong foothold in the industry. Our market share reflects the enduring popularity and trust that customers place Lankasoy as their No 1 preferred choice
Sera Spices	Sera is the culinary food brand under CFL portfolio, known for its quality and trusted convenience. Recognizing the needs of busy lifestyles, Sera offers a range of functional and easy-to-use food products that deliver superior quality. With a vision to be the aspirational kitchen partner for the convenience-seeking homemaker, Sera continuously expands its portfolio into new categories. They address emerging consumer needs for convenience, all without compromising on quality. The Sera portfolio comprises spices, coconut milk and salt whilst venturing into meal solutions including soups to provide a wholesome meal filled with goodness for the whole family
Nutriline	Nutriline, has secured a top position among competitors in the extruded cereal category. This achievement underscores the brand's success in capturing customer attention, loyalty and establishing a strong presence in the modern and general trade market through consumer and education led activations
Tetos	Becoming a loved Snack brand among teens and youth, Tetos has secured a top position among the extruded snack players in the market. Engaging effectively with the target audience, Tetos employs marketing strategies across various social media platforms, focusing on fostering genuine connections that transcend the product and resonate with current trends



## SOCIAL AND RELATIONSHIP CAPITAL

### BRAND SHARE EXPANSION

Our focus on expanding brand share is a core objective within CFL's business. CFL remains dedicated to serving a diverse customer base, both locally and globally and across market segments. We recognize the importance of building strong relationships with our customers in a highly competitive FMCG sector.

CFL's relationship with customers is grounded in our commitment to delivering uncompromising quality. We uphold these values by maintaining product integrity, ensuring customer satisfaction, engaging with the community and demonstrating responsible environmental stewardship. These have in turn helped CFL to cultivate lasting and meaningful connections with our customers.

### CUSTOMER RELATIONSHIP ENHANCEMENT

To cultivate deeper connections with consumers, CFL has enacted various strategies including personalized interactions, specialized customer service teams, active social media, brand promotions and regular satisfaction surveys. These endeavors are aimed at fortifying CFL's relationship with its customers, delivering exceptional products and fostering a positive customer journey.

### SALES AND MARKETING INITIATIVES

- Lankasoy Protein Goodness Campaign: "Lankasoy launched a campaign to promote nutrition and community well-being. This initiative raised awareness about the nutritional benefits of soy and high-protein foods through collaborations with experts, digital platforms and media channels, reaching over 1 million consumers

- Lankasoy supported the "Paadha Yatra" from Jaffna to Kataragama during the Kataragama season by providing drinking water to pilgrims for 16 days. Their efforts benefited over 35,000 people with fresh water supply.
- Quality improvement of Sera Spices: Using low temperature grinding technology to process chili, Sera offers customers with consistent taste, aroma and quality spices

### CUSTOMER SATISFACTION

Lankasoy has consistently demonstrated its dedication to meeting customer needs and satisfaction levels. By ensuring customer expectations are met and adapting to their evolving preferences, Lankasoy has fostered a loyal customer base and solidified its reputation in the soy meat category.

### HANDLING CUSTOMER COMPLAINTS

CFL has a dedicated quality assurance team that addresses customer complaints promptly. By managing customer complaints and feedback diligently, CFL demonstrates its commitment to customer satisfaction and continuous improvement.

### COMMUNITY-BASED ACTIVITIES

We are actively involved in community-based activities, such as sampling and taste experience events during the Sri Pada season and cultural events like Ruhunu Maha Katharagama. Our educational initiatives in towns and villages contribute to societal well-being and foster positive relationships within communities.

### PRODUCT COMPLIANCE, QUALITY AND RESPONSIBILITY

Transparency and accountability are two key pillars in CFL's governance framework. Keeping our consumers informed of the ingredients and elements that are contained in our products is essential in consumer trust and confidence building. Toward this, the Company complies with labelling regulations set by gazette notifications from Ministry of Health of the government and includes all relevant details on product labels. These include details such as,

- Common name, brand name, Company name and address
- Net weight
- Manufacturing and expiry dates and Batch number of the product
- Product composition
  - Ingredients including food additives
  - Nutrition information
  - Colour coding
- Other relevant unique selling point (USP)

Further, CFL has ensured that we are compliance certified and abide by the quality standards of multiple industry and global FMCG benchmarks as a promise of high quality. As a responsible FMCG sector company, CFL places utmost importance on the quality and food safety of its manufactured products, which is a core value within the CBL Group. The Company is dedicated to delivering exceptional value and satisfaction to its customers through its wide range of offerings. As pioneers in the manufacturing of textured soy protein, CFL also produces a diverse range of convenient food products, including spices, ready-to-eat extruded snacks, breakfast cereals, soup mixes where same values and care is practiced.

Key activities performed in relation to the product quality assurance aspect, are as follows:

Key Activities	Description
<b>Certifications, Compliance with Standards</b>	<ul style="list-style-type: none"> <li>Adheres to certifications such as ISO 22000, GMP, HACCP, ISO 9001, ISO 14001</li> <li>CFL's products are manufactured in compliance with the Halal certification terms and conditions and standards of HAC</li> <li>Some CFL products also hold SLS certification, fulfilling the requirements the standards set by the Sri Lanka Standards Institution</li> </ul>
<b>High-Quality Raw Materials</b>	Prioritizes the use of high-quality raw materials sourced both domestically and internationally
<b>Compliance</b>	Raw materials, packaging materials, semi-finished and finished products comply with local legal and regulatory requirements
<b>Packaging Safety</b>	Packaging materials are safe for food packaging meeting local and international standards
<b>Qualified Suppliers</b>	Suppliers are selected based on the supplier assessment procedure and listed as qualified suppliers, based on stringent criteria to ensure product quality and food safety
<b>Pre-scheduled Audits</b>	Supplier audits are conducted based on the risk base approach on a regular basis to assess their manufacturing quality, food safety standards and compliance
<b>Continuous Improvement</b>	Feedback is provided to suppliers to support their development and improvement

Key activities performed in relation to quality inspection and testing are as follows:

Key Activities	Description
<b>Stringent Quality Assurance</b>	Raw materials and packaging materials, semi-finished and finished products undergo rigorous quality inspection procedure, following globally accepted test methods
<b>Hygiene Practices</b>	Stringent hygiene practices are enforced within CFL's manufacturing process to maintain product quality and food safety
<b>Employee Training</b>	Employees receive regular training on Good Manufacturing Practices (GMP), quality, food safety and other aspects to ensure quality and consistent food production
<b>Laboratory Testing</b>	Products undergo testing to assess their quality and compliance with food safety standards. These tests are conducted in a well-equipped in-house laboratory. Additionally, samples are sent to third-party accredited laboratories for verification
<b>Microbiological Tests</b>	Qualified microbiologists perform microbiological tests to check for microbial contaminants
<b>Continuous Improvement</b>	We strive to enhance both product and packaging quality to ensure customer satisfaction





# SOCIAL AND RELATIONSHIP CAPITAL

## SUPPLIER ENGAGEMENT

Suppliers are a key component of our production process. Their contribution is invaluable towards the efficient and smooth running of the business. We conduct rigorous supplier screening to ensure that material is sourced from credible and high-quality producers. Therefore, maintaining open communications with our suppliers regarding our requirements, policies and certifications helps keep them aligned with the quality of the products sourced. Special attention is given to communicating our sustainability policies and complying with them.

## SUPPLY CHAIN IMPROVEMENT

The procurement team continues to drive the success of our sourcing strategy by managing supplier relationships, optimizing costs and fostering innovation.

Key Initiatives in Supply Chain Strengthening	
Cost Optimization	Through strategic sourcing and negotiation, we drive cost savings
Supplier Relationship Management (SRM)	Strengthened partnerships with key suppliers, resulting in improved service levels, reduced lead times, better credit terms and enhanced supply chain resilience. Strengthened our commitment to ethical sourcing by conducting supplier reviews and visits to suppliers' locations
Innovation	Led initiatives to identify and onboard innovative suppliers, fostering a culture of innovation and collaboration across the supply chain
Risk Management	Developed and implemented risk management strategies to mitigate supply chain disruptions, ensuring business continuity during challenging times
Information Management	Effective information management for strengthening supplier relationships, ensuring accurate, timely and operational decision-making
Automation	Automated procurement processes, such as procurement requirement planning and robotic process automation for supplier payment processing, thereby reducing manual effort and improving accuracy

## SHAREHOLDER ENGAGEMENTS

Our shareholders have been the foundation of the business, investing in the growth and substance of the business amidst challenges. The management of the Company has a responsibility and a duty towards the shareholders to protect their investments whilst ensuring sufficient return on their investments.

We maintain communication with our shareholders to keep them informed of information with great transparency and accountability. Further details are provided under Financial Capital (Page 48) and Shareholder and Investor Information (Page 188) in this report.



## ENGAGEMENTS WITH GOVERNMENT, OTHER PARTNERING ORGANIZATIONS AND REGULATORY BODIES

We engage with numerous government authorities, regulatory bodies and other partnering organizations in our business operations. These interactions are essential in maintaining approval and authorization for Company's products and processes and general business functions.

Category	Organization	Type of Engagement
Governmental Organizations	Sri Lanka Standards Institution (SLS)	To ensure our products are within the quality standards stipulated by the government
	Central Environment Authority (CEA)	Adherence to environmental regulations to ensure our processes have zero impact on the environment
	Ministry of Labour, EPF and ETF Offices	Provide labour related guidance and support
	Inland Revenue Department	Payment of taxes
	Central Bank of Sri Lanka	Payment of EPF and ETF
	Municipal Council	Payment of rates, trade license, waste disposals
	Fire Service Department	Fire certifications
	Industrial Technology Institute (ITI)	Testing and calibration, technology transfer, training and consultancy
	Ministry of Health	Consultancy on public health, regulatory compliance
	Sri Lanka Customs	Import clearance and duty payments
Other Partnering Organizations and Regulatory Bodies	Banks	Banking and investments
	Insurance Companies	Purchase of insurance covers
	Statutory Auditors	Obtaining statutory (external) audit services
	Colombo Stock Exchange (CSE)	Investor relations and corporate announcements/publishing
	SGS Lanka Private Limited	Auditing, verifications of ISO standards and trainings
	Bureau Veritas	Testing and consultancy on test methodologies
	Translation Agency	Translations relevant to packaging development

## INDUSTRY ASSOCIATIONS



Sri Lanka Food Processors Association



The Employers' Federation of Ceylon (EFC)



Industrial Association of Sri Lanka (IASL)

Lanka Confectionery Manufacturers' Association (LCMA)

At CFL, we remain committed to obtaining a social acceptance to operate by fostering cooperation with the local community and sharing our prosperity. We believe in making a positive impact on the communities surrounding our manufacturing operations and we will continue to uphold our values of integrity, quality and customer satisfaction in all our endeavors.



# NATURAL CAPITAL



Natural Capital



## HIGHLIGHTS

### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

#### SDG 06 - Clean Water and Sanitation



- Access to clean drinking water at CFL
- Treated approximately 12,000 m<sup>3</sup> wastewater through water board recycling plant
- Allocated Rs.11 Mn in providing clean and sanitary working environment

#### SDG 07 - Affordable and Clean Energy



- Explore to install solar energy panels as part of our shift towards renewable energy sources
- Resource Efficiency and Cleaner Production (RECP) audits to identify the viable solutions

#### SDG 11 - Make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable






- Investments of Rs.46.18 Mn in staff welfare and healthcare
- Annual fire and first aid awareness programs conducted
- Certified with ISO 45001:2018 Occupational Health and Safety Management System
- International Women's Day celebration and awareness programs organized for gender and social inclusion appreciation and awareness

#### SDG 12 - Responsible Consumption and Production



- Creating awareness of nutritional values and additives or preservatives on the packaging of all edible products
- Sourcing raw material from responsible agrarian practitioners
- Ensuring no child labor is used, or animal harm is caused in the production of any item
- Sustainable Consumption and Production (SCP)

## SUSTAINABLE DEVELOPMENT GOALS (SDGs)

<b>SDG 13 - Climate Action</b> 	<ul style="list-style-type: none"> <li>• Maintaining carbon emission at 0.25 CO<sub>2</sub>e/kg</li> <li>• Compliance with ISO 14001:2015 Environmental Management System</li> <li>• Implementation of ISO 50001:2018 Energy Management System</li> <li>• Resource Efficiency and Cleaner Production (RECP) audit</li> </ul>
<b>SDG 14 - Life Below Water</b> 	<ul style="list-style-type: none"> <li>• Project with National Cleaner Production Center (NCPC) under EU SWITCH Asia for implementing waste minimization and resource efficiency in line with SCP for PROMISE ("Prevention of marine litter in the Lakshadweep Sea") project</li> </ul>
<b>SDG 15 - Life on Land</b> 	<ul style="list-style-type: none"> <li>• Plastic reduction projects</li> <li>• Wrapper wastage management projects</li> <li>• Polypropylene (PP) board collection project</li> <li>• Paper wastage</li> <li>• Used pen collection project</li> </ul>

As a food product manufacturer, the majority of our raw material is nature-based grains, wheat, soya beans, spices, vegetables and natural flavour materials. In addition, water and energy are extensively used in the production of our range of foods. Therefore, CFL is committed and mindful of the need for responsible consumption of our natural capital. With a significant dependence on natural resources, the Company is dedicated towards ensuring minimal impact on the environment through implementation of best practices, benchmark manufacturing processes and system standards that are included in the Company's environment policies. Importantly, there were no instances reported of noncompliance with environmental laws or regulations during the review period, a testament to the Company's commitment to environmental stewardship.

## ENVIRONMENT POLICY

CFL's environment policy helps to guide our operations in minimizing the environmental impact of our business whilst promoting conservation and fostering a culture of

sustainability. Our corporate environment policy extends beyond mere compliance and regulations. Instead, it reflects a proactive approach to managing environmental challenges.

CFL's environmental policy framework is built in accordance with the ISO 14001:2015 certification standard which is an internationally recognized standard for Environmental Management System (EMS). It provides a framework for organizations to design and implement an EMS and to continually improve their performance. By adhering to this standard, CFL assures:

- Proactive measures to minimize environmental footprint
- Compliance with legal requirements
- Efficient resource usage and waste management
- Monitoring of environmental performance
- Incorporating stakeholders in environmental commitment

In addition, CFL implements the following as well:

- **Resource Efficiency and Cleaner Production (RECP) audit**  
This helps identifying gaps within our manufacturing processes that can be improved for better resource use and cleaner production.
- **Sustainable Consumption and Production (SCP)**  
This aims to fulfill the needs of all stakeholders including the Company using fewer resources including energy, water, material and generating less waste and pollution in the process.
- **Implementation of ISO 50001:2018 Energy Management System**  
This supports companies to follow a systematic approach in achieving continuous improvement of energy performance and energy management.

## NATURAL CAPITAL

CFL also implements below key concepts and strategies.

Initiative	Impact
Sustainability Integration	We recognize the need to incorporate sustainability into operations and have taken steps to integrate sustainability principles into our core functions
Environmental Protection	CFL acknowledges the importance of safeguarding the environment and implements measures to preserve natural resources while mitigating any adverse impacts stemming from its operations
Priority Areas	CFL concentrates on critical areas such as waste management, energy efficiency, water conservation and emission reduction to manage our environmental footprint
Continuous Improvement	CFL is committed to continually enhance our environmental performance by regularly assessing and refining practices, policies and procedures

### ENERGY

As in any manufacturing business, energy is a key resource in our production. The Company relies on multiple sources of energy to meet the energy demands. During the year, CFL has invested in improving the efficiency of our machinery and manufacturing facilities to lower the energy usage across our operation. Several initiatives have also been implemented to manage the Company's energy overall consumption as well as to continuously monitor our energy usage.

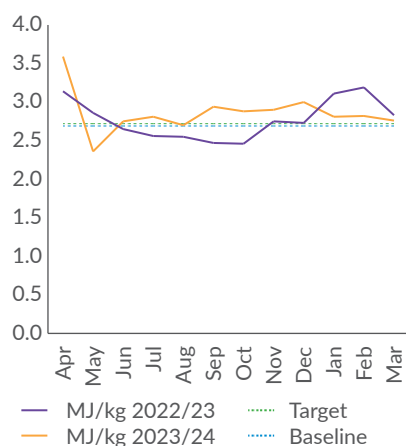
In addition to the regular maintenance of our machinery and equipment, CFL also implemented initiatives specifically targeting energy efficiency and management:

- Started ISO 50001:2018 certification process
- Compress air leakage testing and flue gas analysis
- Install capacitor bankers for power factor correction
- Insulated the steam line multiple locations
- An integration of energy related Key Performance Indicators (KPIs) for continuous monitoring
- Awareness sessions for employees on energy management
- Initiate a RECP audit to pinpoint operational gaps and propose viable solutions

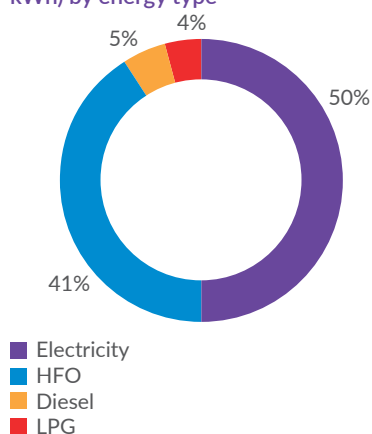
NATURAL CAPITAL				
	Unit	2023/24	2022/23	2021/22
Electricity Consumption	kWh	2,004,736	2,407,670	2,464,775
Furnace Oil	Liters	164,273	123,433	141,811
Diesel	Liters	16,301	85,218	71,673
LPG	Kg	15,600	24,525	25,500
Emission	CO <sub>2</sub> /Kg	0.25	0.24	0.24
Water consumption	No. of units m <sup>3</sup>	16,057	13,749	13,954

Note: Diesel consumption reduced as furnace oil used in the operation

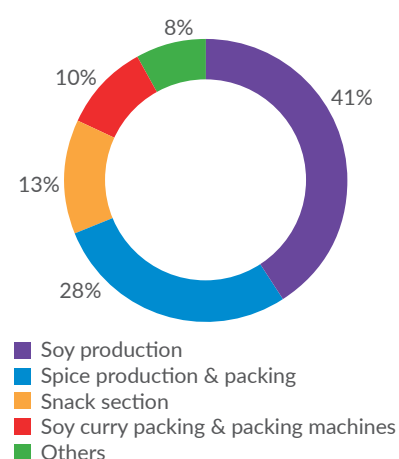
#### Energy Intensity



#### Total energy consumption (converted to kWh) by energy type



#### Division-wise electricity usage (kWh)



## WATER

CFL has incorporated water management into the environmental policy. CFL implements several initiatives towards better management of the water resource within the Company. Some of these include:

- Awareness campaigns amongst staff on misuse of water and wastage
- Installed water-efficient aerator type faucets
- In-house fabricated foot operating taps by CFL Engineering Team
- Inserted 1-liter water displacement device (2 plastic bottles of 500 ml) in the cisterns
- Conduct maintenance and check-ups routinely to identify any leakages
- Regular awareness sessions with a range of key activations through digital channels such as intranet, video presentation factory TV campaigns on the theme of water conservation and savings
- Setting KPIs on water management
- Connected wastewater to water board recycling plant

The total water consumption for the year amounted to 16,057 m<sup>3</sup>. We have ensured our wastewater treatments through water board recycling plant which help sustain our efforts on zero release of water related environmental hazardous waste.

## EFFLUENTS AND WASTE MANAGEMENT

Effluents and waste management is an important element in our overall environment management policy. CFL takes every measure to ensure that minimal sound pollution, dust emission and other emissions and effluents are released to the environment. In compliance with state regulations, our manufacturing processes ensure that noise levels and wastage are within government approved limits. These are often monitored and CFL has consistently maintained the environment protection license requirements with the Central Environment Authority.

	2023/24	2022/23	2021/22
Total CO <sub>2</sub> emission for CO <sub>2</sub> e/kg production	0.25	0.24	0.24

Our waste management efforts advocate recycling and reusing materials, effectively implementing SCP practices in waste management. Some of CFL's waste management activities include:

- Reduction of raw material wastage and managing resource consumption at lower levels
- Partnering with Central Environmental Authority (CEA) approved recycling partners for efficient waste disposal
- Factory generated waste such as packaging material directed to environmentally safer waste management
- Initiative towards creation of awareness amongst general public and staff on the importance of waste management
- Developing projects to motivate workforce and the general public towards maintaining a waste free environment

Type of impact	Action taken	Achievements
Solid Waste	<ul style="list-style-type: none"> <li>• Partnered with recycling partners for efficient waste management for daily solid waste generated</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with parameters set by CEA</li> </ul>
Sound Pollution	<ul style="list-style-type: none"> <li>• Installation of machinery with minimal risk of sound pollution</li> <li>• Monitoring noise levels (annually) with the involvement of external experts</li> </ul>	<ul style="list-style-type: none"> <li>• Obtained test reports to monitor noise levels</li> </ul>
Effluents Management	<ul style="list-style-type: none"> <li>• Testing of effluents and waste before releasing to the environment</li> <li>• Comply with regulations set by the Environmental Protection Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Obtaining annual inspection reports</li> </ul>

# NATURAL CAPITAL

## KEY INITIATIVES FOR ENVIRONMENTAL SUSTAINABILITY

CFL has a dedicated team implementing environment conservation projects throughout the year. The team plays a pivotal role in extending the Company's environmental agenda beyond its own operations, focusing on education and safeguarding natural capital within the supply chain.

Environmental sustainability and contributing to a low carbon economy are essential aspects of the business through our engagement with ESG initiatives. As a company, we are committed to sustainability, social responsibility and transparency and to be a role model in the industry, thus creating meaningful value for our stakeholders.

As an integral facet of our corporate proactive endeavors, our Company diligently engages in impactful awareness campaigns centered around sustainability. CFL organizes and execute awareness initiatives to underscore the importance of sustainable practices within our corporate culture. These campaigns serve as a powerful platform to disseminate knowledge, promote eco-friendly behaviors and emphasize the principles of Safety, Health, Environment and Quality (SHEQ).

Initiative	Description of initiative taken
Wrapper Wastage	<ul style="list-style-type: none"> <li>Reduction of the dimension of the master bags – spices</li> <li>Reusing and recycling of Poly sacks and other polythene, corrugated boards, card boards and used paper</li> <li>Inculcate waste free environment through training and awareness for employees</li> <li>Polythene waste is sent to LOLC Pyrolysis project for conversion into fuel</li> </ul>
Raw Material Wastage	<ul style="list-style-type: none"> <li>Food processing wastage sent as animal feed</li> <li>Raw material, off grades are girded and reused</li> <li>Food waste sent for “Mihisaru” compost fertilizer project</li> </ul>
PET Bottle Collection Project	<ul style="list-style-type: none"> <li>Company in-house PET bottle collection through Eco Friday Campaign</li> <li>SPAR – Supermarket (8) PET bottle collection project</li> <li>Recycling with Eco Spindles</li> </ul>
Consumer Wrapper Collection	<ul style="list-style-type: none"> <li>“CBL Haritha Piyawara” School project to collect wrappers and PET bottles. Awareness session for school children on waste collection, recycling and resource conservation</li> <li>We engaged with 7 schools by providing 8 bins within this year fostering a culture of environmental responsibility. Through this endeavor, we envision not only achieving tangible results in post-consumer wrapper collection but also nurturing a sense of environmental consciousness among students and educators</li> </ul>
PP Board Collection Project	<ul style="list-style-type: none"> <li>Collection and recycling of Point-of-Sale Poster Boards</li> </ul>
Paper Wastage	<ul style="list-style-type: none"> <li>Implement document management system and reduce paper usage and wastage</li> <li>Old newspapers, corrugated boxes, cones, toilet paper roles collected for recycling</li> </ul>
Used Pen Collection Project	<ul style="list-style-type: none"> <li>All used pens and markers are collected for recycling purposes</li> </ul>
Introduction of Recyclable Materials for Soy Packaging	<ul style="list-style-type: none"> <li>Homogeneous material was introduced for triple laminating packaging in order to enable the recycling of the packing material. Samples have been retained for further testing</li> <li>Recyclability-tested with the recycling company “Pio Plastic” for melting and pelletizing</li> </ul>



Initiative	Description of initiative taken
Biodegradable Materials and Packaging	<ul style="list-style-type: none"> <li>Conducted trials with compostable materials and successful outcomes observed in terms of machinability and sealing properties</li> </ul>
PLASTIC – Project – SWITCH Asia	<ul style="list-style-type: none"> <li>The project supports the Company by applying circular economy practices including RECP (Resource Efficiency and Cleaner Production)</li> <li>Industrial Services Bureau, Biodiversity Sri Lanka, STENUM Asia and The Energy and Resources Institute (TERI) are consortium partners with ACTED organisation in this project</li> </ul>
Trees for Life Project	<ul style="list-style-type: none"> <li>Embracing the theme “Save for Environment”, our dedicated sales team has embarked on a tree planting project across retail outlets spread across the country. We place a strong emphasis on environmental education, advocating for best practices in conservation, emission management and the mitigation of climate change impacts. These initiatives underscore the Company’s commitment to fostering awareness and disseminating sustainable practices, ultimately contributing to the preservation of the environment. During the year ended 31st March 2024, CFL team planted 1,692 trees (previous year 1,659 trees)</li> </ul>
SHEQ Week	<ul style="list-style-type: none"> <li>A Safety, Health, Environment and Quality (SHEQ) Initiative</li> <li>Energy management and conservation and awareness on sustainability framework and initiatives were shared</li> </ul>
Environment Day Celebrations	<ul style="list-style-type: none"> <li>Development of an environmental awareness video to create awareness on plastic pollution</li> </ul>
ECO Friday	<ul style="list-style-type: none"> <li>Internal awareness campaign to inculcate the culture of environmental sustainability</li> </ul>







# PROMOTING UNITY AND ADVANCING RESPONSIBILITY

## CORPORATE GOVERNANCE

Corporate Governance Statement	87		Our Framework and Approach to Better Governance	88		Board of Directors	94
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# CORPORATE GOVERNANCE STATEMENT

## BOARD OF DIRECTORS AND BOARD-COMMITTEES

CFL is governed by the Company's Board of Directors comprising eight (08) members. This includes one (01) Executive Director, who serves as the Managing Director/CEO, four (04) Non-Executive Directors and three (03) Independent Non-Executive Directors. We, the Board of Directors of CFL, hereby affirm our commitment to the highest standards of corporate governance, transparency and accountability. In accordance with our fiduciary responsibilities, we have provided leadership and holds overall responsibility and accountability for managing the Company's affairs, ensuring the implementation of risk management practices and protecting stakeholder interests. To effectively carry out its duties, the Board has established committees to perform specific governance tasks and activities. These include the audit committee, remuneration committee, nominations and governance committee and related party transactions review committee. For detailed information on the profiles of the Directors, the functions, committee reports and responsibilities of the committees, please refer from pages 115 to 123.

## INTEGRITY AND COMPLIANCE

The Board of Directors and committees at CFL uphold the principles of openness and engagement by adhering to a comprehensive code of conduct. This code, along with the Company's policies, rules and procedures, forms the foundation of the corporate governance framework. It aims to foster a culture of good governance, consistency and operational excellence.

We are pleased to report that throughout the period of 2023/24, there were no reported violations of the provisions outlined in the code of conduct and ethics by any of the Directors serving on the Board. This highlights the commitment of the Directors to uphold the highest standards of ethical conduct and reinforces

CFL's dedication to maintaining a sound governance framework as illustrated on page 93.

## OPERATIONAL GOVERNANCE

The Board reviews and meets periodically to evaluate the execution of the Company's strategy, conduct performance reviews and address pertinent matters on their agendas. The Board also assesses the Company's long-term outlook, taking into consideration potential risks and opportunities. They deliberate on escalation procedures and potential scenarios, while overseeing the achievement of key deliverables and key performance indicators. In cases where necessary, appropriate corrective actions are taken. For more detailed information, please refer to the governance section from pages 87 to 136.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Company has implemented sound internal controls to ensure the effectiveness of the internal control environment. The Board of Directors and committees have developed a defined process for conducting regular internal audit reviews and managing risks to mitigate any potential adverse impacts. For more detailed information regarding the Company's internal control and risk management practices, please refer to the corresponding sections from pages 104 -109.

## DECLARATION OF COMPLIANCE

We are dedicated to protecting the interests of our stakeholders and continually enhancing the effectiveness of our governance practices. We are committed to adhering to the latest regulatory and statutory developments and ensuring compliance with the listing rules of CSE. Please refer pages from 124 to 128 for details on compliance.

We have complied with statutory and regulatory requirements applicable to our operations. The extent of our compliance at CFL is detailed on page 124.

In addition to statutory requirements, CFL has adopted the principles outlined in the Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017). The Institute of Chartered Accountants of Sri Lanka released an updated Code of Best Practice on Corporate Governance (2023) in December 2023. The new code is currently being reviewed to improve the current governance practices.

### Voluntary External Governance

- UN Global Compact
- United Nations Sustainability Development Goals
- The Code of Best Practice on Corporate Governance issued by CA Sri Lanka

### Internal Governance

- Food Safety Compliance Certifications
- Environmental Policy
- Human Resource Policies
- Employee Code of Conduct
- Best Practice Governance Policies
- Standard Operating Procedures across Every Function
- Policies Established as Part of Listing Rules

### Mandatory External Governance

- Content of Annual Report Section 168 of Companies Act No.7 of 2007
- Code of Best Practice on Corporate Governance Section 9 of the Listing Rules of CSE
- Content of Annual Report - Section 7.6 of Listing Rules of Colombo Stock Exchange



**R.S.A. Wickramasingha**  
Chairman

31st July 2024  
Colombo

# OUR FRAMEWORK AND APPROACH TO BETTER GOVERNANCE

## UPDATES ON LISTING RULES, BEST PRACTICES OF CORPORATE GOVERNANCE AND SLFRS S1 & S2

We are dedicated to strengthening the Company's governance framework to sustain our operations for the future. Our key focus has been on the key governance improvement areas: revision to CSE Listing Rules Section 9, revisions of Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CASL) (December 2023) and introduction of SLFRS sustainability disclosure standards S1, S2. We have provided changes to each framework, highlighting key improvements made and the current status and future readiness of implementation. These efforts reflect our commitment to ensuring best practices and compliance with regulatory standards.

### CSE LISTING RULES – CORPORATE GOVERNANCE

Compliance to the Section 9 of the Listing Rules of CSE

#### PREVIOUS RULES

- Section 7.10 of CSE Listing Rules
- Section 9 of CSE Listing Rules



#### REVISED RULE

- Revised Section 9 of CSE Listing Rules

The following changes have been made to our corporate governance practices,

- Strengthen corporate governance framework
- Adoption of new corporate governance policies under Listing Rules Section 9.2
- Revision to sub-committee charters and composition

- Appointment of new independent Non-Executive Directors for all Board sub-committees
- Disclosures relating to corporate governance and launch of the Company's website

Revision to CSE Listing Rules –  
Section 7 and 9 Corporate Governance  
(September 2023)

### SLFRS S1 AND S2 SUSTAINABILITY STANDARDS

Our focus for SLFRS S1 and S2

- Re-evaluate the materiality aspects
- Develop key performance indicators that align with our strategy
- Monitor and manage risks and opportunities related to sustainability
- Set metrics and targets for sustainability-related areas
- Enhance interdepartmental accountability for implementation

SLFRS S1 -  
General Requirements for Disclosure  
of Sustainability-related Financial  
Information

SLFRS S2 -  
Climate-related Disclosures  
by ICASL which will be effective for  
annual reporting periods beginning on  
or after 1 January 2025

### OUR COMMITMENT FOR BEST PRACTICES

The Board of Directors is committed to upholding of best practices of corporate governance throughout the organization and stems from our responsibility towards

our shareholders, employees, customers and other stakeholders. We strive to achieve our business objectives with the utmost integrity and professionalism.

## OUR GOVERNANCE FRAMEWORK

### The Board

During the financial year of 2023/24, the Board of Directors comprised a total of eight (08) Directors. Our composition adheres to the mandate set forth by the listing rules of the Colombo stock exchange, which stipulates a minimum requirement of two or one-third of Non-Executive Directors to be Independent Directors. Effective March 31, 2024, three new Independent Non-Executive Directors have replaced the previous Independent Non-Executive Directors. Detailed profiles of the Board of Directors are provided from pages 94-96.

Revision to Code of Best Practice on  
Corporate Governance  
(December 2023)  
Issued by ICASL

### Management Structure

Executive responsibilities are handled by a team of senior managers who work within the ethical framework set by the Board. Regular management review meetings are held to focus on performance and operations under the Board's guidance and supervision. During these meetings, the Board reviews strategic direction, risk management and other relevant issues.

The senior management team provides the Board with reports on the achievements of Key Performance Indicators (KPIs). These KPIs are regularly discussed in internal monthly meetings, as well as in management reviews with functional heads. For a detailed understanding of the organizational structure, please refer to page 20.

## Core Principles

Our governance framework is built on the following core principles:

- **Leadership:** CFL is governed by the Board, which directs, leads and controls the Company. The Board meets quarterly to fulfill its responsibilities and receive structured, regular information. It ensures a sound business strategy, appoints key roles, approves budgets and sets authority limits. The Board maintains the integrity of information, internal controls, compliance and IT alignment. It also considers stakeholder interests, sustainability, ESG factors and integrated reporting while monitoring strategy implementation and corporate reporting.
- **Accountability, Transparency and Assurance:** We uphold the principles of accountability, transparency and assurance in our governance practices. We strive for operational effectiveness and ensure the completeness of our governance practices throughout the organization.
- **Stakeholder Engagement:** We actively participate in effective communication and management of stakeholders who are affected by our Company's operations. By understanding and addressing their needs and concerns, we foster strong relationships with our stakeholders.
- **Independence:** Our Board of Directors comprises a balanced mix of Independent and Non-Independent Directors. This composition ensures a diversity of skills, experience and vision.

For an overview of our corporate governance framework, please refer the detailed illustration on page 93.

## COMPOSITION OF THE BOARD OF DIRECTORS

A significant majority of the board, consisting of seven (7) out of eight (8) Directors, holds non-executive positions. Please refer Directors' profiles and illustration of expertise and composition on pages 94-96 and 101.

## SEPARATION OF THE ROLES OF CHAIRMAN AND MANAGING DIRECTOR/ CEO

At CFL, the roles of Chairman and MD/CEO are held by separate individuals to ensure a balanced distribution of decision-making power, authority and accountability. This structure upholds checks and balances, preventing any single individual from exerting undue control over the Board. The specific responsibilities and duties of the Chairman and Managing Director/CEO are outlined in detail on page from 114.

## INDEPENDENCE OF THE DIRECTORS

Three (3) out of the eight (8) Directors are Independent Non-Executive Directors, who provide unbiased judgement and are not influenced by the Company's interests. This approach ensures that the Board maintains a balance of experience, expertise and impartiality, enabling effective governance and decision-making processes within the Company.

## APPRAISAL OF BOARD PERFORMANCE

The Board conducts an annual performance review for the Executive Director. Additionally, the Board members carry out a separate evaluation for each Non-Executive Director and the committees.

## DISCLOSURE OF REMUNERATION

The aggregate remuneration of the Directors has been disclosed in Note 8.1 on page 154.

All Independent Non-Executive Directors and Non-Executive Directors receive only a fixed fee for their participation in Board and sub-committee meetings and no variable component. This policy helps maintain the objectivity of the Independent Non-Executive Directors.

The Executive Director, however, is entitled to a variable component based on pre-determined performance evaluation criteria and processes.

## FINANCIAL ACUMEN OF THE BOARD

The Board consists of members who possess financial expertise in areas such as audit, financial reporting and corporate finance. Their strong financial acumen ensures financial governance and contributes to the overall financial health and stability of the Company. Detailed information regarding the expertise of Directors is provided in their profiles on page 94.

## INDEPENDENT ADVICE

Provisions are in effect to facilitate Directors in seeking professional guidance as necessity arises, which is covered by the Company's expenses upon their request and Directors have access to necessary expertise and resources to make informed decisions and fulfill their responsibilities effectively.

## SUPPLY OF INFORMATION

The Board enhances its decision-making capabilities by providing comprehensive information, including budgets, periodic financial statements, market reports and other relevant reports, in line with the meeting agenda. The Chairman ensures that all Directors are well informed about the matters to be discussed, circular meeting agendas and keeps them updated on the Company's activities.

# OUR FRAMEWORK AND APPROACH TO BETTER GOVERNANCE

## Fitness of Directors and CEOs

Every member of the Board is a fit and proper person to act as Director and CEO/ MD.

## RELATIONS WITH SHAREHOLDERS AND FINANCIAL REPORTING

Shareholders are encouraged to participate in the Annual General Meeting (AGM), for which notice is provided timely. The AGM agenda is included in the notice and the Company complies with the prescribed notice period as per the articles of association.

Shareholders receive comprehensive information through the annual report, which includes the Chairman's and Managing Director's messages, management discussion and analysis, capital reports, sustainability aspects and corporate governance, along with the financials. Quarterly interim financials are also submitted to the CSE and at CFL website for shareholders' review. These reports provide a clear overview of the Company's performance throughout the year. The Board is fully committed to maintaining transparency in disclosing both financial and non-financial information to shareholders.

## MAJOR TRANSACTIONS

No major transactions have occurred during the year, which falls within the definition of the Companies Act.

## GOING CONCERN

After conducting a thorough examination, the Board is confident that the Company possesses an adequate cash flow to sustain its operations as a going concern in the foreseeable future.

## ASSURANCE MECHANISM

### EVALUATION OF EFFECTIVENESS OF INTERNAL CONTROLS

The evaluation of the effectiveness of internal controls is an important process in ensuring the reliability and integrity of financial reporting, compliance with laws and regulations and the achievement of operational objectives. Internal audit plays a key role in this evaluation by conducting regular reviews and assessments of internal control systems, identifying weaknesses and recommending improvements. External audit complements this by providing an independent assessment of the effectiveness of internal controls, particularly those related to financial reporting.

### OBJECTIVES OF THE INTERNAL AUDIT

The internal audit function of the Company operates with the following key objectives:

- **Risk Assessment:** Identify and evaluate the organization's risk exposures
- **Internal Control Evaluation:** Assess the effectiveness of internal control systems
- **Financial Audits:** Review financial statements and reports for accuracy and compliance
- **Compliance Audits:** Ensure adherence to laws, regulations and internal policies
- **Operational Audits:** Evaluate the efficiency and effectiveness of operational processes
- **Fraud Detection and Prevention:** Identify potential fraud risks and investigate suspected fraud
- **IT Audits:** Assess the security and effectiveness of information technology systems
- **Reporting:** Prepare and present audit findings to management and the Board.

## THE INTERNAL AUDIT STRATEGY

The internal audit function conducts a risk-based internal audit strategy, outlining its planned approach based on the risks inherent in each process that supports the Company's strategic objectives. The strategy primarily focuses on the following areas:

- **Risk-Based Approach:** Prioritizing audit activities based on the risk assessment
- **Compliance:** Ensuring adherence to local and international regulations
- **Operational Effectiveness:** Evaluating effectiveness of business operations
- **Financial Integrity:** Reviewing financials for accuracy, completeness and compliance
- **IT and Cybersecurity:** Assessing the security and effectiveness of IT systems
- **Fraud Prevention:** Implementing measures to detect and prevent fraud
- **Corporate Governance:** Supporting to maintain high standards of corporate governance
- **Continuous Improvement:** Promoting ongoing improvement of processes and controls
- **Stakeholder Assurance:** Assurance on reliability and effectiveness of internal controls
- **Special Investigations:** Conducting special audits and investigations as required

The internal audit function operates autonomously under the audit committee's supervision which is led by the head of group internal audit (General Manager of group governance, risk and control) ensures independence from operational management. Leveraging Messrs. KPMG, chartered accountants internal audit team as needed, this function delivers impartial assurance to the audit committee on the adequacy and sustainability of the Company's internal control framework for risk management. As the third line of defense, it conducts objective reviews based on a risk-focused audit plan and methodology endorsed by the audit committee, ensuring that risk management processes are designed and efficiently executed.



## EXTERNAL ASSURANCE (EXTERNAL AUDIT)

### Appointment of Auditors and Their Responsibilities

The Company's external audit function is conducted by Messrs. Ernst & Young, chartered accountants. The audit committee recommended the appointment of external auditors and their remuneration to the Board of Directors, subject to shareholder approval.

Messrs. Ernst & Young was appointed as the external auditor during the AGM held 11 September 2023 and authorized the Directors to determine their remuneration.

### Independence of the Auditors

As of the reporting date, there are no identified threats compromising independence and steps have been taken to mitigate any such threats to an acceptable level. The engagement team and other relevant personnel have complied with ethical requirements concerning independence, including those outlined by Messrs. Ernst & Young, chartered accountants, where applicable.

### Evaluation of the Independence of External Auditors

The Board audit committee conducts an annual assessment of the independence and objectivity of the external auditors. The committee also establishes guidelines for recommending the engagement of external auditors for non-audit services.

## IT AND CYBERSECURITY RISK GOVERNANCE

### BOARD INVOLVEMENT IN IT GOVERNANCE

The Board has entrusted IT governance-related matters to the Board audit committee, which also functions as the risk committee, overseeing risk management, compliance and cybersecurity.

### IT POLICIES AND PROCEDURES

The IT policies and procedures include the Information Security Policy, Acceptable Usage Policy, Access Control Policy, Clear Desk and Clear Screen Policy, Information Asset Management Procedure, IT Operations Security Procedure, IT Incident Management Procedure, Malware Control Procedure, Risk Assessment and Risk Treatment Procedure and Physical and Environmental Security Procedure.

### COMMUNICATION AND AWARENESS

IT security policies, standards, procedures and guidelines of the CBL Group are published on the Company's intranet and accessible to users. Additionally, emails and flyers are distributed to employees to raise awareness of cybersecurity threats.

### DEVICE CONTROL

The Company's IT governance addresses potential threats and IT risks, takes into account diverse stakeholder interests and considers connectivity points. Internal and external IT devices adhere to the CBL Group's Access Control Policy, detailing access criteria, authorization responsibilities and approval levels. Connectivity is managed with firewalls and monitored through access controls.

## MONITORING CYBERSECURITY RISKS

CBL Group's network, security and governance team continuously monitors and reviews cybersecurity risks. We have also established an IT incident management procedure to effectively handle and mitigate cybersecurity risks.

### CYBER RISK MANAGEMENT

The Board audit committee regularly includes IT and cyber risk management on its agenda. The group Chief Information Officer (CIO) also provides periodically updates on cyber risk management and governance matters to the committee.

### INDEPENDENT PERIODIC REVIEW OF SECURITY

Internal information systems/IT auditors conduct periodic reviews, while external consultants and auditors perform annual security assessments.

### ASSESEMENT OF SECURITY THREATS

The Group IT security team independently assesses relevant security threats and periodically collaborates with the Company's IT team to develop potential mitigation strategies.



## OUR FRAMEWORK AND APPROACH TO BETTER GOVERNANCE

### TAX GOVERNANCE

We adhere to core principles of compliance, transparency and accountability in our tax management. It emphasizes our responsibility to meet the tax obligations as required by the tax regulations, while also safeguarding value for stakeholders.

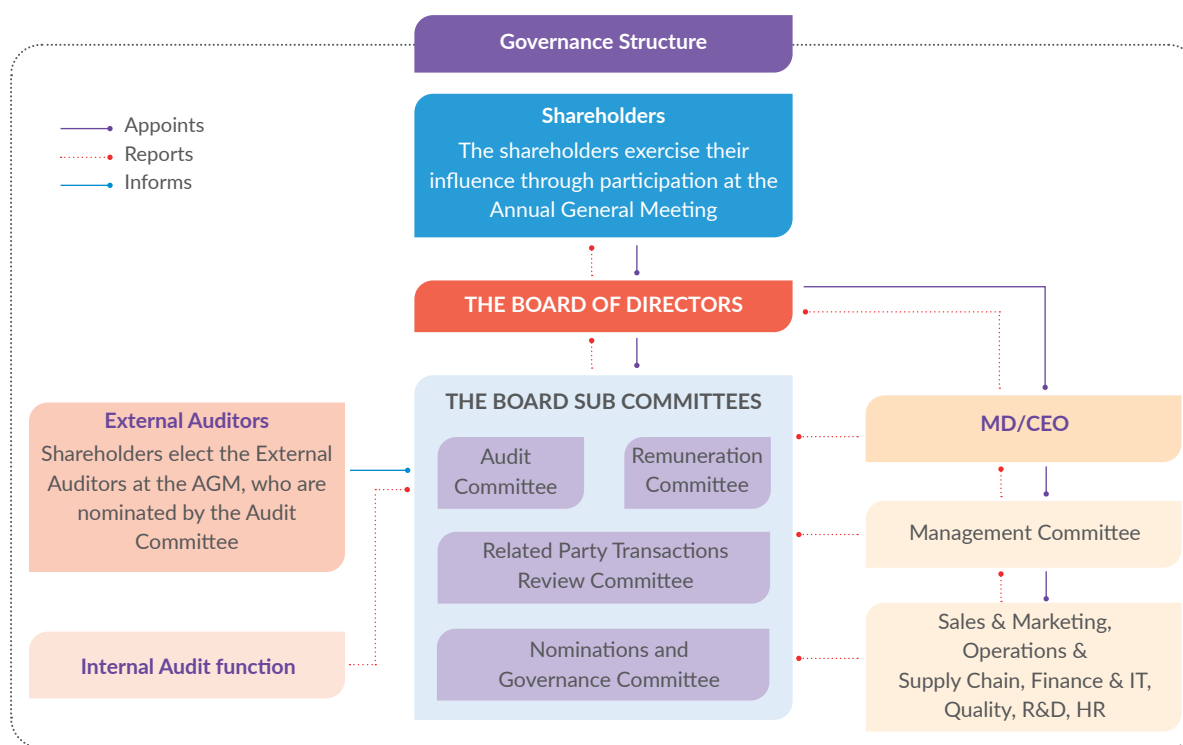
Governance Structure	The Company's tax governance activities focuses on compliance and management of tax obligations, ensuring consistency and accurate settlements
Policies on Tax Governance	<p>The Company's taxation policies and standard operating procedures require us to,</p> <ul style="list-style-type: none"> <li>• Ensure the integrity of tax disclosures</li> <li>• Maintain controls and processes to manage tax obligations</li> <li>• Uphold openness, honesty and transparency in tax-related dealings</li> <li>• Perform the calculations accurately and settle the obligations timely</li> <li>• Maintain the records of the transactions for future references</li> </ul>
Roles and Responsibilities in Tax Governance	<p>The management performs below tasks:</p> <ul style="list-style-type: none"> <li>• Implement and sustain compliance processes including checklists</li> <li>• Analyze and communicate the business implications of changes in tax legislation for informed decision-making</li> <li>• Ensure documentation of tax computations and payments</li> <li>• Seek independent/external opinions when the law is unclear or open to interpretation</li> </ul>
Review and Monitoring	<ul style="list-style-type: none"> <li>• Digital platforms: <ul style="list-style-type: none"> <li>• SAP/ERP systems to support, record the provide inputs for tax computations which allows audit trial</li> <li>• Digital banking to settle tax payments</li> <li>• RAMIS to report on tax compliance and filling returns</li> </ul> </li> <li>• Board Updates: Provide periodic updates on the Company's tax positions to the Board of Directors in a timely manner</li> </ul>

### BENEFITS OF THE TAX GOVERNANCE FRAMEWORK

Our tax governance framework directly contributes to the sustainability of the Company's business operations by ensuring the following:

- Efficient management of tax exposures within the scope of applicable laws
- Effective management of tax risks and protection of the Company's reputation through adequate policies and proactive internal communication
- Fostering healthy relationships among government and tax authorities
- Ensuring the integrity of reported numbers and timely compliance

## OUR CORPORATE GOVERNANCE FRAMEWORK



## Core Principles



# BOARD OF DIRECTORS

## MR. R. S. A. WICKRAMASINGHA

### Chairman

Mr. R. S. A. Wickramasingha was appointed as the Chairman of Convenience Foods (Lanka) PLC, a subsidiary of the CBL Group, on 24th June 2015, having served on the Board since 10th May 2000. He is the Chairman of the CBL Group, a leading diversified FMCG conglomerate that manufactures biscuits, chocolates, cakes, cereals, snacks, textured soy, coconut products, spices and processed organic fruits for local and export markets, with market leadership in many brands. The CBL Group exports its products to over 65 countries around the world and has overseas manufacturing facilities located in Ghana and Bangladesh. The Group is among Sri Lanka's largest exporters of confectionery and coconut milk.

Mr. Wickramasingha serves as Chairman of 17 companies of the CBL Group and possesses vast and varied experience in the food industry. He qualified in food technology at Borough Polytechnic, now known as London South Bank University, UK. He drives the Group's continuous focus on product innovation and quality, overseeing R&D, quality control, manufacturing and procurement processes across the CBL Group. He is the Chairman of Ceylon Essence and Beverage Company and Patron of the Lanka Confectionery Manufacturers Association.

## MR. E. T. DE ZOYSA

### Managing Director/CEO - Served up to 31st December 2023

Mr. Thilanka De Zoysa possesses over 27 years of experience in General Management. He started his career in the plantation sector and has been with Soy Foods Lanka Ltd, now Convenience Foods (Lanka) PLC since 1996. He was appointed to the Board of CFL on 30th October 2002 and was appointed as the Managing Director of the Company with effect from 1st April 2011. Subsequently,

he was appointed as CEO of the Food Cluster of the CBL Group with effect from 1st May 2020. After serving for 27 years at Convenience Foods (Lanka) PLC, he retired effective December 31, 2023.

## MR. M. C. DAHANAYAKE

### Managing Director/CEO - 1st January 2024 onwards

Mr. Manjula Dahanayake with an experience of over 34 years in the FMCG, Food and Beverage, Dairy and Telecommunication Industries has been appointed to the Convenience Foods (Lanka) PLC Board as the Managing Director/CEO, effective January 1, 2024. Mr. Manjula Dahanayake's professional journey commenced in 1989 and has expertise in working for some of the largest Multinationals and Local conglomerates including Unilever Sri Lanka, Coca Cola Beverages Sri Lanka, Airtel Lanka, Nestle Lanka PLC and Lanka Milk Foods Group (PLC).

He held various key roles at Unilever, including Senior Brand Manager in Marketing and was one of the key personnel to lead the transformation of Modern Trade business while accumulating over 13 years of experience. Mr. Dahanayake later joined Coca-Cola Beverages Sri Lanka Ltd as a Senior Brand Manager, progressing through roles such as Market Development Manager, Regional Market Execution Manager and ultimately serving as the Head of Modern Trade and Key Accounts where he took the Coca-Cola business to the next level.

Mr. Dahanayake later was offered to join Bharti Airtel Lanka (Pvt) Limited, where he assumed the position of Zonal Business Head in 2007 to start up the Airtel operations in Sri Lanka where he was instrumental in setting up the sales and marketing operations whilst having a stint in Airtel Mumbai for 5 months. In 2010, He joined Capital Maharaja Organization, initially as the General Manager Sales and Marketing, rising to the role of Director

Sales in Pepsi and ICL Marketing. His experience includes serving as the Country Head of Samsung India Electronics which is the mother company of Samsung Sri Lanka between 2013 and 2014.

Mr. Dahanayake has also contributed significantly to Nestle Lanka PLC for over five years working as Channel Head and as the Head of Modern Trade and National Key Accounts before joining Lanka Milk Foods Plc (LMF Group) as Group CEO. At LMF Group he excelled in managing six subsidiary companies under LMF Group and was instrumental in tripling the Revenue and Profits within a period of 4 years.

Mr. Dahanayake with an extensive experience and knowledge in the fields of Sales and Marketing and in Management and Administrative areas will contribute immensely to CFL business.

Mr. Dahanayake earned his MBA from the University of Sri Jayewardenepura and holds a Postgraduate Diploma in Marketing at the Chartered Institute of Marketing (UK).

## MS. D. S. WICKRAMASINGHA

### Non-Executive Director

Ms. D.S. Wickramasingha was first appointed to the Board of Soy Foods (Lanka) Limited, now Convenience Foods (Lanka) PLC in May 2000. She is the Group Managing Director of CBL Investments Limited and the Chairman of Modern Pack Lanka (Pvt) Ltd. She also serves on the Board of 17 Companies in CBL Group, JF&I Packaging (Pvt) Ltd, Spar SL (Private) Ltd, Cinnamon Beach House (Pvt) Ltd and Food Revolution (Pvt) Ltd. Presently, she is a member of the main committee of the Ceylon Chamber of Commerce, the EDB Advisory Committee on Processed Food and Beverages, the Board of United States - Sri Lanka Fulbright Commission, UNICEF Business Council in Sri Lanka and an alternate member of the Sun Movement Executive Committee. She holds a MSc. degree in Food Chemistry from Purdue

University USA and a BSc. in Food Science and Industry from Kansas State University, USA. She has an interest in the Functional and Healing properties of food and has studied extensively on the subject.

### **MS. N. K. WICKRAMASINGHA**

#### **Non-Executive Director**

Ms. N. K. Wickramasingha is a Director of CBL Investments Limited and serves on the Board of five other subsidiary companies of CBL Group. Further, she is holding the directorships at Back of Beyond Sigiriya (Pvt) Ltd, Back of Beyond Kahandamodara (Pvt) Ltd, Safari Lodges Yala (Pvt) Ltd and Modern Pack Lanka (Pvt) Limited. She holds a BSc. Degree in Food Science from Purdue University, USA and is also CIM qualified. Ms. Wickramasingha joined CBL as a Management Trainee (R&D) in 1993 and worked across various management positions in the Company. Ms. Wickramasingha was appointed to the Board of CBL in 1999 and counts over 31 years of experience with the CBL Group.

### **MR. L. J. M. DE SILVA**

#### **Non-Executive Director**

Mr. L. J. M. De Silva joined Ceylon Biscuits Limited Group as Group Managing Director in October 1999 and completed 13 years with the Group. Prior to that period, he had served as the Managing Director of Delmege Forsyth and Co, Group Commercial Controller of Al- Futtaim Trading, Finance Manager of Reckitt and Colman, Finance Manager of Richard Pieris and Co. Ltd. and Group Accountant of Rowlands Group of Companies. Presently, in addition to serving as a Non-Executive Group Director of CBL Investments Limited, he is also a Non-Executive Director of Convenience Foods (Lanka) PLC and Plenty Foods (Pvt) Ltd. Mr. De Silva is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and completed his articles at Turquand Young's (now Ernst & Young) and qualified as a Chartered Accountant in June 1970.

### **DR. D. M. A. KULASOORIYA**

#### **Independent Non-Executive Director - Served up to 31st March 2024**

Dr. D. M. A. Kulasooriya holds a BSc. Graduate from the University of Peradeniya. He holds a PhD in Lean Management from JNTU India, an MSc in Management at the University of Sri Jayewardenepura, Postgraduate Training in Management at the Postgraduate Institute of Management and a Certification in Six Sigma Black Belt. He currently serves as the Director-General at the National Institute of Business Management and possesses 27 years of experience in the field of Quality and Productivity Management and Design Thinking, 13 years of which dealt directly with Lean Six Sigma implementation and Data Analytics.

### **MR. U. THILAKAWARDANA**

#### **Independent Non-Executive Director - Served up to 31st March 2024**

Mr. U. Thilakawardana, Attorney-at-Law currently practices as a Counsel for civil and criminal cases in Colombo and outstation courts and is a Legal Consultant for several organizations including private and public companies. He started his career in 1990 when he was enrolled in the Attorney General's Department as a State Counsel. Following six years in the Attorney General's Department, he joined the unofficial bar and started practice in original and appellate courts. Currently, he is the Legal Counsel of Rosemead Law Chambers.

### **MR. M. S. NANAYAKKARA**

#### **Independent Non-Executive Director - Served up to 31st March 2024**

Mr. M. S. Nanayakkara has over 31 years of extensive experience in both public and private sector organizations in external and internal auditing and management consultancy related roles. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (FCA) and an Associate Member of the Chartered Institute of Management Accountants

(ACMA, UK). He holds a Master of Business Administration (MBA) degree from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and a Bachelor of Commerce (B. Com) degree from the University of Colombo. Mr. Nanayakkara was appointed to the Board as an Independent Director and has served as the Chairperson of the CFL Board Audit Committee up to 31st March 2024. He functioned as the Senior Manager of Group Assurance and Advisory Services of SriLankan Airlines Ltd for 12 years. He is currently functioning as Senior Manager of Financial Services of SriLankan Airlines Limited.

### **MR. I. FONSEKA**

#### **Independent Non-Executive Director - From 31st March 2024 onwards**

Mr. I. Fonseka is a Member of the Chartered Institute of Marketing (UK) and a Certified Management Accountant (AUS). He had his post-graduate education at the Indian School of Business, the Kellogg School of Management (Northwestern University), University of Pennsylvania Wharton School and Fundação Dom Cabral (Brazil). He was the Chairman of Multi Finance PLC, CEO of Ceylon Biscuits Ltd and Managing Director of Hemas Consumer Brands. Mr. Fonseka has worked with multi nationals such as JWT, Unilever, Glaxo-Smithkline, Coca-Cola and Chevron in the Middle East, in Southeast Asian and in the Sub-continent. He holds directorships at Taurus Concepts (Pvt) Ltd. and Food Revolution (Pvt) Ltd. He served on the Boards of the Sri Lanka Insurance Corporation and Chevron Lubricants Lanka PLC.

### **MR. M. E. WICKREMESINGHE**

#### **Independent Non-Executive Director - From 31st March 2024 onwards**

Mr. M. E. Wickremesinghe is a President's Counsel and a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. He is the Chairman of the University Services Appeals Board,

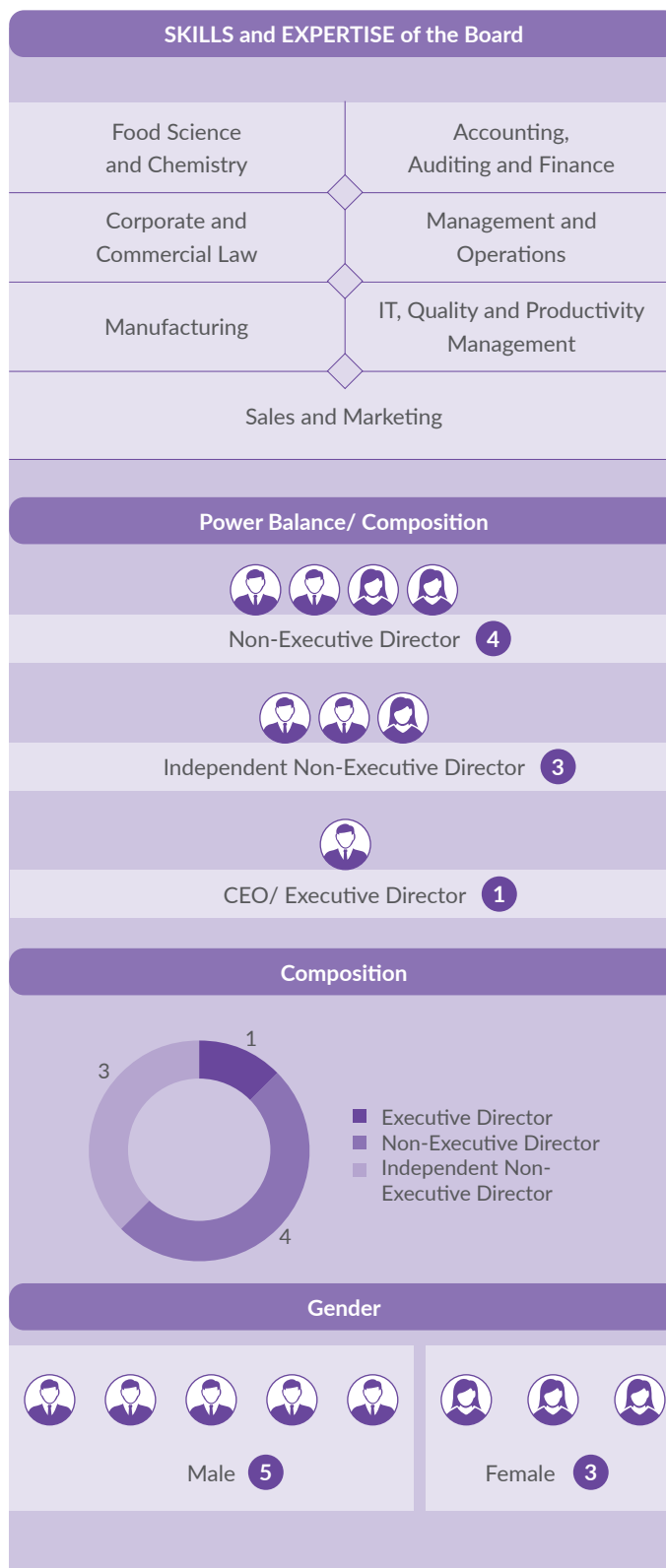
## BOARD OF DIRECTORS

a member of the Governing Council of HelpAge Sri Lanka, a trustee of Ayati Trust Sri Lanka, a trustee of the AAFI Education Trust and a member of the Board of Governors of S. Thomas' College, Mount Lavinia. He has previously functioned as the Senior Independent Director, the Chairman of the Board Audit Review Committee and the Chairman of the Board Nominations Committee of a licensed commercial bank. He had also been an Independent Director and the Chairman of the Board Audit Committee of a conglomerate listed on the Colombo Stock Exchange. Mr. Wickremesinghe holds an LL.B. (with honours) from the University of Colombo, has lectured and examined at the University of Colombo, at the University of Moratuwa and has functioned as an examiner for the Institute of Chartered Accountants of Sri Lanka.

### MS. S. T. RATWATTE

#### Independent Non-Executive Director - From 31st March 2024 onwards

Ms. S. T. Ratwatte is a Fellow of the Chartered Institute of Management Accountants, UK and holds an MBA from the University of Colombo. She has over thirty years working experience in the fields of finance and management. She was recognized as the Zonta "Woman of Achievement - Management" in 2004. Ms. Ratwatte is a Trustee of the Sunera Foundation, a non-profit organization working in theatre and arts with the differently abled. She serves on the Boards as Non-Executive Director at Ceylon Cold Stores PLC, a John Keells Holdings Group Company in consumer foods and retail, BPPL PLC, a manufacturer and exporter of domestic and industrial cleaning equipment and National Credit Guarantee Institution. Ms. Ratwatte formerly worked at MAS, Sri Lanka's largest apparel Company for over 15 years in senior finance and management roles. She was also a Non-Executive Director at John Keells PLC, the tea and stock broking arm of the John Keells Group in Sri Lanka. Ms. Ratwatte was a former Chairperson of the Environmental Foundation Ltd - a non-profit organization working in promoting sustainable development and justice for the environment. She was a Founder Trustee and Chairperson of the Federation of Environmental Organizations, a non-profit organization engaging and building collaboration within the environmental space in Sri Lanka.



## KEY DUTIES AND RESPONSIBILITIES

### The Role of the Chairman

- Strong and impartial leadership to the Board
- Ensure the Board is balanced with appropriate skills, experience and diversity
- Facilitates the efficient and effective fulfillment of the Board's responsibilities
- Ensures orderly and smooth functioning of Board meetings
- Presides over Directors' and shareholders' meetings, ensuring active participation of Directors and adherence to proper procedures
- Initiates self-assessment of the Board to enhance Board effectiveness
- Promotes and upholds the principles of good governance, acting in the best interest of the Company

*The Chairman of the Board - Mr. R. S. A. Wickramasingha*  
A full profile of the Chairman is available on page 94

### The Role of Managing Director/CEO

- Develop and implement the Company's strategy in alignment with the Board's vision
- Lead, motivate and manage the executive team and staff to achieve business goals
- Executive responsibility of managing the Company
- Reviews and supervises the execution of key initiatives aimed at achieving the Company's objectives
- Guides the executive management team in accomplishing the corporate objectives defined by the Board and outlined in the Company's corporate plan
- Promotes Company values, diversity and sustainability within the business
- Corporate, business and operational strategy formation and execution
- Performance management within the business

*The Managing Director - Mr. M. C. Dahanayake*  
A full profile is available on page 94

### The Role of Independent Non-Executive Directors

- Provide independent oversight and monitor the Company's activities, ensuring alignment with governance
- Represent the interests of shareholders and other stakeholders, ensuring their concerns are considered in Board decisions
- Serve with impartiality and unbiased perspectives, within the Board and situations where conflicts of interest may arise
- Challenge and provide constructive support to the management team in assessing their performance
- Contribute to improving governance standards
- Table the key matters discussed during sub-committee meetings to the main Board
- Ensuring and reviewing appropriate systems in place for monitoring and managing risks

*for Mr. M. U. S. G. Thilakawardana, Dr. D. M. A. Kulasoorya and Mr. M. S. Nanayakkara*  
Refer to page 95 for the Director profiles

### The Role of Company Secretary

- Facilitating a smooth flow of information and ensuring timely communication
- Ensures that meetings are conducted in compliance with the articles of association, the Board charter and relevant laws and regulations
- Accurately recording and documenting the proceedings of the meetings in the minutes
- Maintains the Company's statutory registers and files statutory returns in accordance with legal requirements
- Acts as a liaison between the Company, regulators and shareholders, fostering a healthy relationship
- Assists and monitors changes of corporate governance policies and procedures

*P W Corporate Secretarial (Pvt) Ltd acts as the Company's secretaries, the Registrars work is performed by S S P Corporate Services (Pvt) Ltd*



# BOARD OF DIRECTORS

## RESPONSIBILITIES OF THE BOARD

Responsibility	2023/24 Update
<b>Strategy</b>	
<ul style="list-style-type: none"> <li>Ensuring the formulation and implementation of corporate and business strategy</li> <li>Approving budgets and major capital expenditure</li> <li>Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks</li> </ul>	<ul style="list-style-type: none"> <li>Variable performance targets are set and rewarded accordingly</li> <li>Set KPI's are reviewed periodically and corrective actions are taken</li> <li>Annual budget is reviewed and achievements monitored against the targets set</li> <li>Financial performance, KPI and budget achievements are reviewed at Board meetings</li> <li>Annual operating plan reviewed monthly at the Cluster Board for action plans</li> <li>Cluster Board reviews operations, performance and involve for strategic plan developments</li> </ul>
<b>Governance</b>	
<ul style="list-style-type: none"> <li>Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation</li> <li>Appointing the chair and the Senior Independent Director (SID) if relevant</li> </ul>	<ul style="list-style-type: none"> <li>Review and update of the Standard Operating Procedures (SOP), Policies and Statement of Delegated Authority (SODA)</li> <li>The corporate governance section includes aspects of shareholder's stewardship</li> <li>SID not applicable as Chairman of the Board and CEO are two different persons</li> <li>Continue to make sure corporate governance framework is followed</li> </ul>
<b>People</b>	
<ul style="list-style-type: none"> <li>Ensuring that the CEO and management team possess the skills, experience and knowledge to implement the strategy</li> <li>Ensuring the adoption of an effective CEO and key management personnel succession strategy</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop, implement and monitor the Company HR strategy</li> <li>Activities performed during this year in this regard had been included in the Human Capital on Page 58</li> <li>Next level leaders are identified and training. developments plans are assigned</li> </ul>
<b>Internal Controls and Risk Management</b>	
<ul style="list-style-type: none"> <li>Ensuring the availability of information communication technology (ICT) roadmap in line with business strategy of the Company and monitor the progress of implementation through the ICT dashboard</li> <li>Ensuring effective systems to secure integrity of information, internal controls, cybersecurity, business continuity and risk management</li> </ul>	<ul style="list-style-type: none"> <li>Review of IT strategy in place to make sure the IT governance</li> <li>Upgrade of existing IT security systems (Refer IT governance on page 91)</li> <li>Data integrity and controls over ERP is implemented to make sure of timely and accurate information</li> <li>Internal controls assessment had been performed by Messrs. KPMG as per the assigned scope during the year</li> <li>Standard operating procedures updated periodically</li> <li>Financial outcome of major capital projects is reviewed before approving to make sure the feasibility</li> </ul>
<b>Sub-committees</b>	
<ul style="list-style-type: none"> <li>Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned</li> </ul>	<ul style="list-style-type: none"> <li>Refer sub-committee reports from Page 115</li> </ul>
<b>Sustainability</b>	
<ul style="list-style-type: none"> <li>Recognising sustainable business development and ESG risk and opportunities in corporate strategy, decisions and activities and consider the need for adopting "integrated reporting"</li> </ul>	<ul style="list-style-type: none"> <li>Refer Sustainability section form page 34</li> </ul>

Responsibility	2023/24 Update
<b>Compliance Monitoring</b>	
<ul style="list-style-type: none"> <li>Ensuring compliance with laws, regulations and ethical standards</li> <li>Ensuring all stakeholder interests are considered in corporate decisions</li> <li>Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations</li> <li>Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company</li> </ul>	<ul style="list-style-type: none"> <li>Update the Board on the statutory and non-statutory compliance statements/ checklists and ongoing legal matters including non-compliances</li> <li>Ensuring adherence with code of conduct and business principles</li> <li>Refer stakeholder engagement from page 39-42</li> <li>Compliance checklists are tracked and reviewed to make sure the compliance with legal and regulatory requirements</li> <li>Refer the Directors' Responsibility for financial statements on Page 113</li> <li>Timely and transparent disclosure of the Annual Report information and quarter financial statements</li> </ul>

## BOARD COMPETENCY EVALUATION

The Board regularly evaluates its performance to ensure it adheres to the responsibilities outlined in the Company's corporate governance policies. This evaluation process includes a self-assessment conducted by the Board of Directors.

### Evaluation of the Managing Director

At the beginning of the year, the Board establishes annual targets for the Managing Director, encompassing both financial and non-financial goals. These targets are aligned with the corporate strategy's short, medium and long-term objectives. The Board appraises the Managing Director's performance at year-end.

### Evaluation of Board Sub-Committees

The Company continued to evaluate its Board sub-committees to ensure they function effectively and efficiently as outlined in their charters. Please refer the committee reports on pages 115-123 for the activities performed during the year.

## BOARD REMUNERATION

Purpose of the remuneration sub-committee is to make recommendations to the Board, within agreed terms of

reference, regarding the remuneration of Directors. The committee consults with the Chairman when setting remuneration and seeks professional advice as needed for determining Executive Directors' remuneration. The remuneration of the remuneration committee members is determined by the other Board members, thereby eliminating any potential conflict of interest. These processes ensure that no Director is involved in deciding their own remuneration.

Please refer the remuneration committee report on pages 118-119.

### Level and Structure of Remuneration

The remuneration provided to Executive Directors reflects their skills, experience, knowledge and participation in Board activities and determined based on the Company's remuneration policies.

### Disclosure of Remuneration

The remuneration paid to Directors is disclosed on page 154 in the Annual Report. Remuneration Policy and other key aspects are disclosed on pages 118-119.

## MAINTAINING THE INDEPENDENCE AND OBJECTIVITY

### Assessment of Objectivity

Directors are tasked with self-assessment to identify any potential or actual conflicts of interest that could compromise their objectivity, stemming from personal or professional relationships that may affect their impartial judgement on material matters.

### Review and Dealing with Conflict

The Board reviews conflicts of interest to determine each Director's independence. Before appointing or reappointing Directors, the Board assesses and addresses any identified conflicts of interest.

### Submission of Independence Declaration

The formal declaration of independence is made annually. The Board evaluates these declarations, along with other information, to ensure compliance with the criteria for determining independence as per the listing rules' requirements.

# BOARD OF DIRECTORS

## Actions Taken by CFL to Comply with the Criteria for Determining Independence for Independent Directors

The three new Independent Non-Executive Directors appointed to the Board are fully compliant with independence criteria detailed under the revised Listing Rules Section 9 as follows,

Name of the Director	Employment by the Company	Material Business Relationship	Close family Member is a KMP	Significant Shareholding	Consecutive Service of Nine or More Years	Business Relationship	Director of another Company	Shareholder in another Company	70 Years of Age
Imal Shamen Fonseka	x	x	x	x	x	x	x	x	x
Maithri Wickremesinghe	x	x	x	x	x	x	x	x	x
Sharmini Ratwatte	x	x	x	x	x	x	x	x	x

x refers to complied and there is no conflict

## BOARD INVOLVEMENT IN SUSTAINABILITY

The Board views sustainability as essential for managing governance, economic, social and environmental risks. To address sustainability's impact comprehensively, the Company implemented the following strategies:

- Integrating sustainability into strategy and execution.
- Managing sustainability-related risks and opportunities.
- Reporting and disclosing sustainability matters.

Please refer Sustainability section on page 34

## BOARD SUB-COMMITTEES

The Board has formed four (4) committees, which consist of the Audit Committee (including risk committee), Remuneration Committee, Related Party Transactions Review Committee and Nominations and Governance Committee. Details regarding their composition are outlined below.

Board Committee and Composition	Further Information
<b>Audit Committee (including risk committee)</b>	
Comprises of three (3) Independent Non-Executive Directors	The report of the audit committee is published on pages no 115-117
<b>Related Party Transactions Review Committee</b>	
Comprises three (3) Independent Non-Executive Directors	The report of the related party transactions review committee is published on page no 120
<b>Remuneration Committee</b>	
Comprises two (02) Independent Non-Executive Directors and one (01) Non-Executive Directors	The report of the remuneration committee is published on page no 118
<b>Nominations and Governance Committee</b>	
Comprises two (02) Independent Non-Executive Directors and one (01) Non-Executive Directors	The report of the nominations and governance committee is published on page no 122

## BOARD MEETINGS

The Board meets regularly to discuss various topics, leveraging their diverse expertise. At the start of each year, all Board meetings are scheduled, allowing each Director the opportunity to raise pertinent agenda items and contribute their insights.

## Information Supply to the Board

The Board receives substance and quality information essential for effective decision-making. Directors have independent access to the Company Secretary and can seek external advice at their discretion to fulfill their duties effectively.

## The Board Meeting Preparation Process

The Company upholds an efficient and effective process for conducting Board meetings. The Company Secretary ensures timely circulation of the notice of meeting, agenda and Board papers to Board members, allowing them a period to review, seek further details, deliberate on the agenda and adequately prepare for each meeting.

Board and sub-committee meetings receive agendas in advance. During Board meetings, issues are deliberated with access to the management team. The Chairman fosters constructive communication among Directors, ensuring a balance of power. Post-meeting, the Board requests follow-up information through the Company Secretary, facilitated by management team as needed.

### Board Attendance During 2023/2024

The Board is satisfied that Directors allocated sufficient time to enable them to discharge their responsibilities at CFL effectively. The Board and sub-commitments met during the year as referred to in the table below.

Director's Name	Board Meeting	Audit Committee	Remuneration Committee	RPT Review Committee	Nominations Committee
Mr. R S A Wickramasingha	4/4	-	-	-	-
Ms. D S Wickramasingha	4/4	-	-	-	-
Mr. E T De Zoysa	3/4*	-	-	4/4	-
Mr. Udara Thilakawardana	4/4	4/4	1/1	4/4	1/1
Dr. D M A Kulasooriya	4/4	4/4	1/1	4/4	-
Mr. M S Nanayakkara	4/4	4/4	-	4/4	1/1
Mr. L J M De Silva	4/4	-	-	-	1/1
Ms. N K Wickramasingha	4/4	-	1/1	-	-
Mr. M C Dahanayake	1/4**	-	-	-	-

\*Resigned with effect from 31st Dec 2023

\*\*Newly appointed from 1st Jan 2024

### KEY ACTIVITIES OF THE BOARD DURING 2023/24

Key activities carried out by the Board during FY 2023/24 have been discussed on page 116.

### PROFESSIONAL DEVELOPMENT OF THE BOARD

The Board regularly assesses the need for ongoing development to enhance their knowledge and skills. Directors have access to seek independent professional advice as needed. They also have access to company secretaries, corporate and sales

management, auditors, experts and external service providers, along with essential financial plans, performance reports, regulatory updates, best practices and presentations on the business environment.

### APPOINTMENT, RE-ELECTION AND RESIGNATION OF DIRECTORS

#### Appointment

New Board appointments are carried out in a formal and transparent process and are governed by the articles of association and the Company policy.

### New Board Appointments (Incumbent)

- Mr. M. C. Dahanayake (MD/CEO)
- Ms. Sharmini Ratwatte (IND/NED)
- Mr. Imal Shamen Fonseka (IND/NED)
- Mr. Maithri Wickremesinghe (IND/NED)

### Resignation

If a Director is terminating their directorship prior to the completion of the appointed term, they should submit a written communication to the Board confirming the resignation and giving the reason for the resignation.

Summary of Board retirements and resignations during 2023/24

### Retirements

- Mr. E.T. De Zoysa

### Resignations (Former)

- Dr. D. M. A. Kulasooriya
- Mr. M. S. Nanayakkara
- Mr. Udara Thilakawardana

### Re-Election of Directors

The re-election of Directors is governed by the articles of association and performed at the AGM of the Company.

### Board Induction

Newly appointed Directors undergo an induction program facilitated by the management team and the Company Secretary. They are introduced to CFL's business, senior management team and the Company's values, culture and code of conduct. Directors receive orientation on governance frameworks, including articles of association, charters, policies and procedures, alongside their responsibilities within the regulatory landscape. They are also briefed on CFL's operations, strategy, risk management approach and internal controls.

# FOSTERING AN ETHICAL ORGANIZATIONAL CULTURE

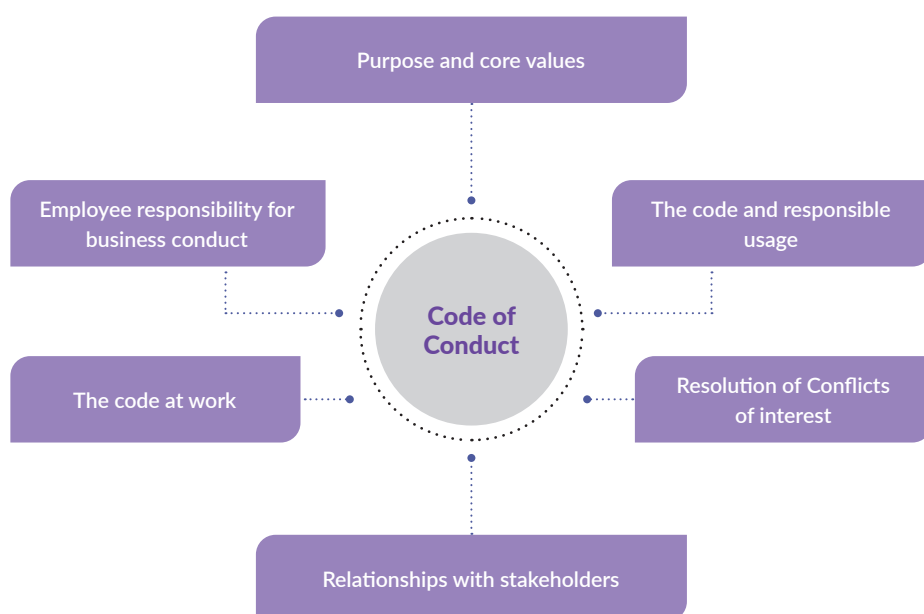
## CODE OF CONDUCT

Our Code of Conduct sets the ethical standards for CFL. It ensures compliance with laws and regulations, maintaining professionalism in decision-making.

The Board of Directors, the Management team and all employees are required to strictly adhere to the Code of Conduct and Ethics at all times and foster a fair work environment when engaged in official

duties, as well as during personal business activities and ensure that no harm is made to the Company's reputation from their actions. The Code of Conduct includes policies related to gifts, entertainment, facilitation payments and proprietary and confidential information.

The declaration of the Board's compliance with the Code of Conduct is presented on page 87.



### 01. Employee responsibility for code of conduct

This helps employees to understand how to comply with this code and the laws of Sri Lanka and set a positive example among co-workers.

### 02. Purpose and core values

Elaborates the importance of the Group's purpose, which is to create enriching moments of happiness for people, by being a caring global entity, with a true Sri Lankan identity and 4 key values of the Group, which are CARING, QUALITY, INNOVATION and INTEGRITY.

### 03. The code at work

This guides employees' interactions with our stakeholders to ensure fair and ethical behaviour that uphold our core value of integrity.

### 04. The code and responsible usage

This guide is intended to help employees responsibly enjoy the privileges provided by our organization.

### 05. Relationships with stakeholders

This describes how to engage with our stakeholders in compliance with the code.

### 06. Resolution of Conflicts of Interests

This helps the employees to identify a conflict of interest and how to avoid situations that may cause conflicts of interest at the workplace.

## POLICY ON WHISTLEBLOWING

This policy allows employees to report any misconduct, illegal activities or ethical violations without the risk of retaliation. By offering a confidential and secure reporting mechanism, the Company fosters a culture of integrity and ensures that issues are addressed swiftly and appropriately. CFL's whistleblowing policy empowers employees to report such incidents without fear of reprisal, reinforcing a transparent and accountable organizational culture.

## POLICY ON ANTI-BRIBERY & CORRUPTION

CFL emphasizes its commitment to ethical conduct and integrity through a foundational policy that unequivocally prohibits all forms of corruption, including bribery, extortion and embezzlement. To mitigate these risks and ensure transparency and fairness in all business practices, CFL enforces stringent procedures. Any breach of this policy in connection with our business must be prevented, underscoring our dedication to accountability and ethical behavior.

### Objectives of the Policy on Anti-Bribery & Corruption

- **Prohibition of Corruption:** The primary objective of this policy is to unequivocally prohibit all instances of corruption, encompassing bribery, extortion and embezzlement.
- **Compliance and Legal Obligations:** CFL is committed to full compliance with all applicable anti-bribery and corruption laws and regulations.



- **Ethical Business Practices:** This policy underscores our dedication to ethical business practices by strictly prohibiting the solicitation or acceptance of bribes or any other unethical advantage-seeking behavior by CFL employees. Any such behavior is met with zero tolerance.
- **Transparency and Reporting:** CFL emphasizes transparency and encourages the reporting of any instances where CFL employees attempt to solicit bribes from our business partners or engage in unethical conduct.
- **Conflict of Interest Management:** We are committed to managing conflicts of interest effectively to ensure fair and transparent business dealings.
- **Financial Integrity:** Our financial procedures are designed to accurately record all financial transactions.

## INTERNAL POLICIES TO UPHOLD EMPLOYEE INTEGRITY

- Recruitment: Equal Opportunity Employer
- Training and Development Policy
- Remuneration Policy
- Anti-Sexual Harassment Policy
- Occupational Health and Safety Policy

Overall, these policies and practices reflect the Company's commitment to ethical conduct, fairness, inclusivity, employee well-being and fostering a positive work environment.

Please refer Pages 60 - 61 for an overview of on employees related policies.

## ENVIRONMENTAL POLICY

CFL's environment policy helps to guide our operations in minimizing the environmental impact of our business whilst promoting conservation and fostering a culture of sustainability. Please refer Natural Capital on Page 81 for an overview of environmental policy.

# INTEGRATED RISK MANAGEMENT

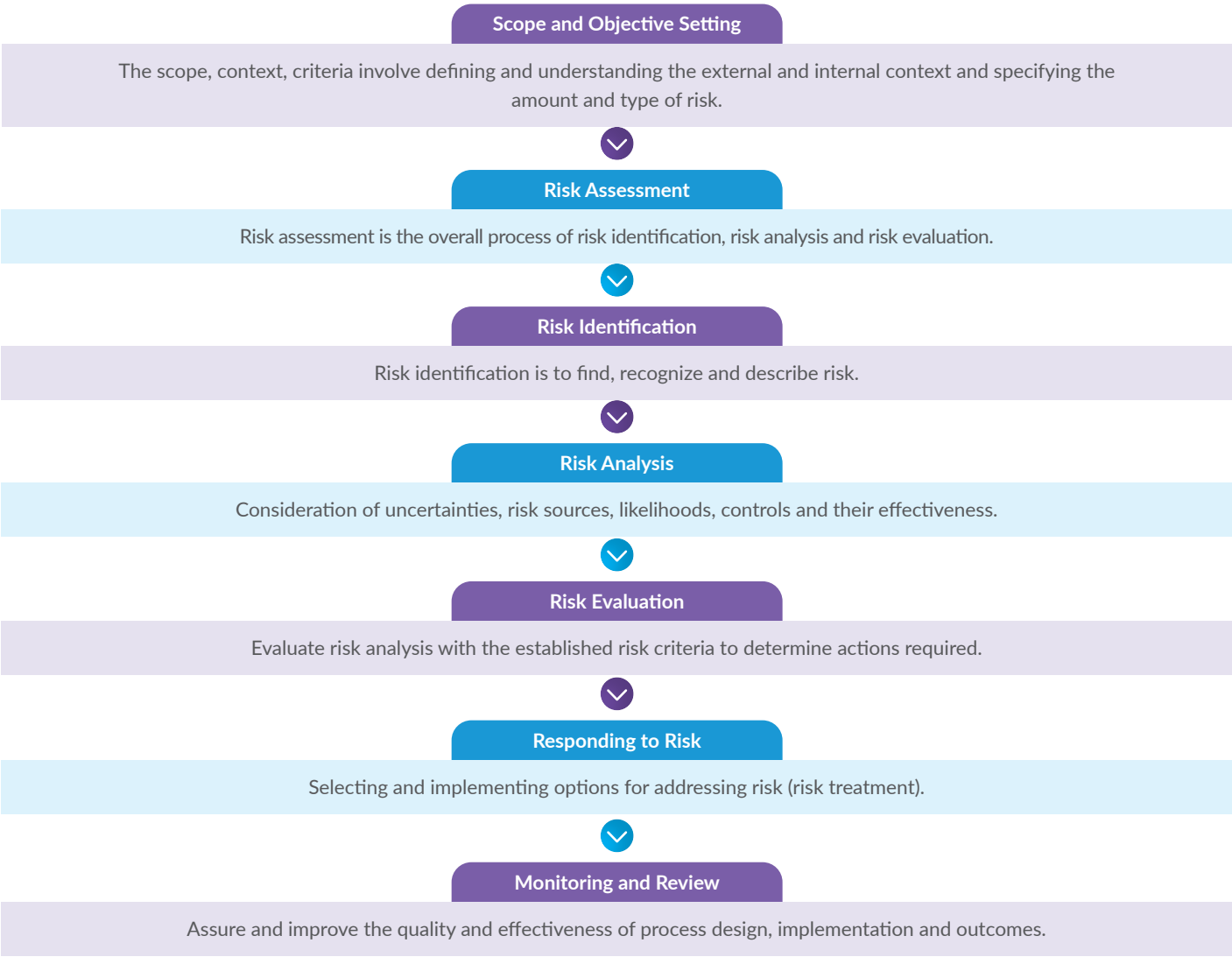
In the FMCG sector, we recognize that our risk landscape encompasses not only internal challenges but also a variety of external risks that could affect product quality, consumer perception, market positioning and overall corporate performance. To address these risks, we have implemented comprehensive

safeguards and controls to manage and mitigate both existing and potential threats.

Understanding that we operate in a dynamic and challenging environment, we emphasize the continuous evaluation and management of risks. To meet the expectations of our stakeholders, we rigorously identify key

risks, establish effective control measures and develop procedures to manage these risks within acceptable tolerance levels.

Our risk management approach is structured and well-defined, focusing on identifying risks at every level and addressing them efficiently and effectively.



We maintain a risk register, prioritizing risks with input from management and experts and develop mitigation measures. Risk assessment is ongoing, covering immediate to longterm challenges. Details are in Note 33 of the financial statements.

## RISK MANAGEMENT STRATEGY AND RESOURCE ALLOCATION

### Risk Management Strategy

We emphasize continuous risk monitoring and reporting mechanisms, enabling timely adjustments to our strategies, ensuring alignment with our business objectives and evolving market dynamics.

### Resource Allocation

We have allocated resources to enhance our risk management efforts, focusing on technologies, data analytics and talent development. By collaborating with industry experts and regulatory bodies, we ensure our processes are robust and adaptive to the dynamic FMCG landscape.

Focus Area	Strategy
Investments	<ul style="list-style-type: none"> <li>Prioritizing investments that foster sustainable growth and profitability</li> <li>Invest in diversified markets and new product lines</li> <li>Establish metrics to regularly review the performance</li> </ul>
Market Development	<ul style="list-style-type: none"> <li>Expanding our presence in new and existing markets through targeted market development initiatives</li> <li>Utilize market research to identify opportunities</li> <li>Analyze consumer feedback for market development strategies</li> </ul>
Product Development	<ul style="list-style-type: none"> <li>Innovation and enhancement of our product line offerings</li> <li>Develop new products that address evolving customer needs</li> <li>Cross-functional teams to foster diverse perspectives and solutions</li> </ul>
Finance and Operations	<ul style="list-style-type: none"> <li>Financial management and operational excellence</li> <li>Streamline operations to improve efficiency</li> <li>Conduct performance reviews to measure achievements</li> </ul>
Human Resource Development	<ul style="list-style-type: none"> <li>Develop targeted recruitment to attract talent</li> <li>Continuous learning and development for employees</li> <li>Enhance employee satisfaction and retention</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>Leveraging technology to drive operational efficiency</li> <li>Invest in IT infrastructure to support business operations</li> <li>Implement cybersecurity measures to protect data</li> </ul>

## INTERNAL CONTROLS

The Board and Management Committee have implemented key risk management and compliance measures, ensuring internal controls. Detailed information is on pages 104 -109.

### Risk Management

We have established a risk management process promoting proactive risk identification and mitigation, tailored to our operations. Risk management is integral to our corporate governance and strategy, fostering awareness of business risks and internal control across the organization, ensuring transparency and trust.

We integrate risk reviews into our culture and define clear roles and responsibilities. Key risks are identified, analyzed, evaluated and documented in a risk register. Response plans are developed and a monitoring and reporting mechanism is established.

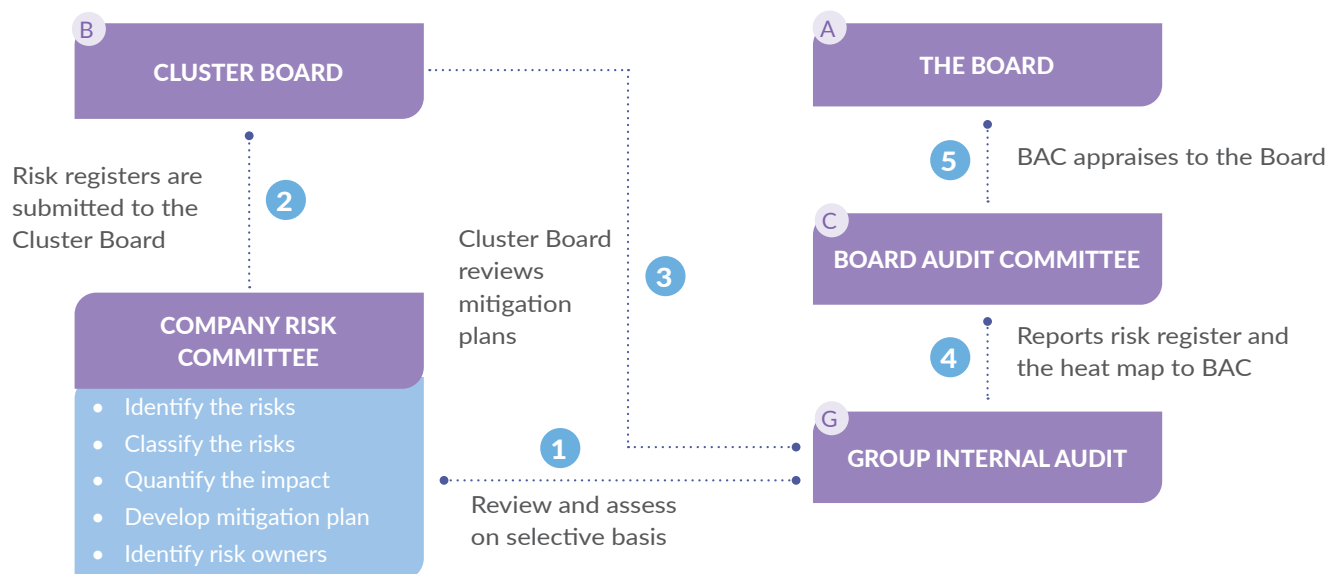
Our process systematically applies policies, procedures and practices for effective risk management.

### Risk Management Process

Key risks are identified through collaboration with departmental heads, who report risks within their processes. Risk champions evaluate these and document them in a key risk register with treatment plans. Risk management is a collective effort, overseen by the Board and audit committee. The Group internal audit department reviews risks and mitigation plans, reporting to the Board audit committee.

# INTEGRATED RISK MANAGEMENT

## RISK MANAGEMENT REPORTING STRUCTURE AT CFL



## RISK ASSESSMENT COMMITTEE

### A. The Board of Directors

The Board is responsible for overseeing performance management, internal controls and risk management, aligning risk tolerance with strategic objectives. Key duties include approving risk management policies and appetite on audit committee recommendations, receiving updates on risk management effectiveness and promoting a culture of risk awareness.

### B. Cluster Board

The Cluster Board assists the Board in fulfilling its responsibilities concerning the Company's risk strategy, risk management framework and risk appetite. This committee is empowered with supervisory functions over the Company's risk management, risk profile and enterprise-wide risk management framework, along with any other risk-related matters as determined by the Board of Directors.

### C. Board Audit Committee

The Board audit committee ensures that internal controls and risk management procedures comply with financial and non-financial regulations. It periodically reviews risk management, internal controls, business continuity and information security, recommending remedial actions to the Board. Key activities include recommending risk management policies and appetite, monitoring implementation, verifying effectiveness and ensuring timely, accurate risk information from management, auditors and other sources.

### D. Risk Owners

Department heads are designated as risk owners for their functional areas. They ensure daily operational procedures and controls are effective comply with risk management policies and manage risks within their scope. Responsibilities include preparing and updating the risk register, integrating risk management into operations, raising awareness and identifying emerging risks and opportunities for timely reporting.

### E. Risk Champions

CEO is designated as the risk champion and responsible for fostering a risk-aware culture, implementing the risk policy, forming a skilled risk committee overseeing risk identification and treatment, and facilitating risk discussions at board meetings.

### F. Company Risk Committee

The risk committee consists of internal management tasked with operationalizing Board decisions. It assesses risks across various areas and determines actions for mitigation, each with specific agendas, objectives and responsibilities.

### G. Group Internal Audit Department

The Group internal audit department assures the Board of the effectiveness of the Company's risk management and internal controls. Key activities include monitoring policy compliance, evaluating risk registers, resolving deficiencies, preparing the risk register and heat map and reporting to the audit committee.

## Organizational Culture Towards Risk Management

We foster a culture where following principles are adhered,









- **Leadership:** Committed to set the right tone at the top by setting and continuously improving policy framework and actively exercising its oversight responsibility
- **Risk awareness:** Creating awareness of the business risks and integrate in operational decision making
- **Pro-active:** Simulate significant risks to minimize the negative impact on the organization
- **Continuous improvement through active participation:** Encourage internal stakeholders to contribute to improve risk management practices through active participation

The Company records key risks in a risk register as per policy guidelines. A risk heat map is created and presented at Board meetings. A risk matrix assesses risk levels by probability and severity.









Probability ➤	➤ Severity/Consequence					Rating	Description
		Rating	Low	Medium	High		
			Based on the financial impact quantification				
			1	2	3		
	Almost Certain The event is already happening or has the possibility of happening at least a few times within the next 12 months	3	3	6	9	High	<ul style="list-style-type: none"><li>• Board attention is required</li><li>• Immediate action should be taken by the senior management</li><li>• Detailed review to be conducted and risk treatment plan should be prepared</li></ul>
Likely Probability of occurring the event at least once within next 12 months	2	2	4	6	Medium	<ul style="list-style-type: none"><li>• Senior management attention is required</li><li>• Management responsibility specified</li><li>• Risks should be treated using one or more of risk treatment options</li></ul>	
Rare Probability of not occurring the event within next 3 years	1	1	2	3	Low	<ul style="list-style-type: none"><li>• Risk is accepted with minimal treatment</li><li>• Monitored and periodically reviewed to ensure they remain acceptable</li></ul>	

# INTEGRATED RISK MANAGEMENT

## PRINCIPAL RISKS AND MITIGATION PLANS

No.	Risk Exposure	Description	Risk Mitigation	
1	Quality Risk	<ul style="list-style-type: none"> <li>Potential quality issues in products</li> </ul>	<ul style="list-style-type: none"> <li>Adequate and continuous quality control checks to assure quality throughout our process</li> </ul>	
2	Reputational Risk	<ul style="list-style-type: none"> <li>Potential losses due to damages to our credibility</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of the highest ethical standards at all times in business activities</li> <li>Prompt follow-up actions on complaints and taking corrective actions</li> </ul>	
3	Regulatory and Compliance Risk	<ul style="list-style-type: none"> <li>Losses and fines arising due to violations or non-conformance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Group regulatory affairs division supports in compliance with existing and new laws and regulations</li> <li>Finance and non-finance compliance requirements are monitored on regular basis</li> </ul>	
4	Market Risk	<ul style="list-style-type: none"> <li>Economic condition and government policies, competition, new entrants and changes to customer preference in the market cause loss of market share</li> </ul>	<ul style="list-style-type: none"> <li>Forecast assessment as part of financial planning and short to medium-term operational planning</li> <li>Continuous focus on innovation and regular monitoring of consumer trends</li> <li>Enhancing productivity/efficiency to improve price competitiveness, monitor market data and strengthen the offers</li> </ul>	
5	Supply Chain Risk	<ul style="list-style-type: none"> <li>Supply disruptions due to supply shortages and price change impact on the supplier side require continuous attention to protect our offerings to customers</li> </ul>	<ul style="list-style-type: none"> <li>Drive supply chain network design, from supplier to end customer, roll out raw material plan and stocking through business planning</li> <li>Test product quality control of supplies for effectiveness, review key suppliers periodically to ensure they meet rigorous quality standards</li> </ul>	
6	Human Resource Risk	<ul style="list-style-type: none"> <li>Ability to attract and retain talent in a competitive job market and rapidly evolving business environment</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen CFL's employer value proposition, based on our commitment to employee growth and the Company's purpose</li> <li>Talent management driving talent, leadership development and succession planning applied at the Company</li> </ul>	
7	System Risk, IT and Cybersecurity	<ul style="list-style-type: none"> <li>Increasing frequency and magnitude of cybersecurity threats, requires additional measures to strengthen our security to be better able to respond and recover as quickly as possible in the event of an incident</li> </ul>	<ul style="list-style-type: none"> <li>Continually reinforcing a cybersecurity culture (intensified training, awareness creation)</li> <li>Increasing collaboration with IT vendors</li> <li>Regular system audits are conducted to cover the key risk</li> <li>Disaster recovery plans are identified and tested on regular basis</li> </ul>	
8	Exchange Rate Risk	<ul style="list-style-type: none"> <li>Potential losses due to adverse fluctuation of exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>Action is taken to provide more focus on exports to bring foreign currencies to the country</li> <li>Focus on locally procured raw materials to reduce dependency on imported materials</li> </ul>	



No.	Risk Exposure	Description	Risk Mitigation	
9	Operational Risk	<ul style="list-style-type: none"> <li>Potential losses due to inadequate internal controls, failures of internal processes, people and systems</li> </ul>	<ul style="list-style-type: none"> <li>Internal audits on internal controls and compliance</li> <li>Establish quality control processes to prevent defects and ensure product consistency</li> <li>Ongoing training to employees on operational procedures, safety protocols and risk management practices</li> </ul>	
10	Product Risk	<ul style="list-style-type: none"> <li>Probability of new product failing or demand to decline for existing products</li> </ul>	<ul style="list-style-type: none"> <li>Investment in sales capability and deployment of commercial excellence programs</li> <li>Driving demand planning, product innovation and supply chain agility through integrated business planning</li> </ul>	
11	Liquidity Risk	<ul style="list-style-type: none"> <li>Adverse impact on the liquidity position as a result of payment delays by debtors, long stock holding period and early payment for creditors</li> </ul>	<ul style="list-style-type: none"> <li>Continuous reviewing working capital management</li> <li>Strong relationships with banks</li> <li>Consistently monitoring of assets and liabilities maturity gaps</li> </ul>	
12	Interest Rate Risk	<ul style="list-style-type: none"> <li>Fluctuations in market interest rates have an impact on profitability and funding</li> </ul>	<ul style="list-style-type: none"> <li>Trends and outlook are monitored consistently and in-house fund management</li> <li>Consistent negotiations with banks to obtain competitive interest rates</li> </ul>	
13	Health and Safety Risk	<ul style="list-style-type: none"> <li>The likelihood that an individual may be harmed or suffers adverse health effects</li> </ul>	<ul style="list-style-type: none"> <li>Safety guidelines for our staff, contractors and/or third-party suppliers working on our premises, updated in real-time, based on local regulations/ guidance</li> </ul>	
14	Credit Risk	<ul style="list-style-type: none"> <li>Potential losses arising due to default by the debtors</li> </ul>	<ul style="list-style-type: none"> <li>Efficient debt follow-up and collection practice</li> <li>Adherence to business-specific credit policies</li> <li>Where necessary, bank guarantees have been placed to cover up high volume transactions</li> </ul>	
15	Social Risk	<ul style="list-style-type: none"> <li>Labor and human rights violations, environmental degradation, corruption and social or economic marginalization harm local communities and threaten long-term business sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Caring for society and the communities in which we operate is a vital part of our activities through the social projects we run at CFL</li> <li>Focused on uplifting and renovating communities as well as educating, mentoring and training future generations, unlocking possibilities for people who need them most</li> <li>Implementation of CSR projects</li> </ul>	
16	Environmental and climate risk	<ul style="list-style-type: none"> <li>Potential financial and operational impact that a company may face due to environmental factors and climate change</li> </ul>	<ul style="list-style-type: none"> <li>Developing and enforcing compliance policies to adhere to environmental regulations and standards</li> <li>Conducting regular environmental risk assessment and audits to identify and address potential vulnerabilities</li> <li>Implementing environmentally friendly practices such as reducing carbon emissions, conserving water and minimizing waste</li> </ul>	

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

## 1. GENERAL

The Board of Directors of Convenience Foods (Lanka) PLC is pleased to present the Annual Report on the affairs of the Company and the Audited Financial Statements for the financial year ended 31 March 2024. The details set out herein provide the pertinent information requested under Section 168 of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and the recommended best practices on Corporate Governance.

## 2. REVIEW OF BUSINESS

### 2.1 Vision, Mission and Values

The Company's Vision and Mission Statements are detailed on page 2 of the Annual Report. Our business operations adhere to the highest ethical standards to fulfill these objectives, reflecting our dedication to outstanding business conduct and ethics.

### 2.2 Principal Activities

The principal activity of the Company involves manufacturing and marketing of Textured Soy Protein (TSP) and other food categories.

### 2.3 Review of Operations of the Company

The financial and non-financial activities of the business for the year are outlined in the Chairman's Message, Managing Director's Message (Pages 22-26) and the Capital Reports (Pages 48-85). These documents should be considered together to provide a comprehensive assessment of the Company's operational affairs.

## 3. FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No.7 of 2007. The aforesaid Financial Statements, duly signed by the

General Manager - Finance, two Directors on behalf of the Board and the Auditors are included in this Annual Report and form an integral part of this Annual Report of the Board of Directors.

### 3.1 Independent Auditor's Report

The Auditor's Report on the Company's Financial Statements is provided on pages 139-186.

### 3.2 Accounting Policies

The accounting policies adopted by the Company in the preparation of the Financial Statements are given on pages 146-186, which are consistent with those of the previous period. There have been no changes in the Company's Accounting Policies that require disclosure.

## 4 DIRECTORS OF THE COMPANY

### 4.1 Information of the Directors of the Company

The names of the Directors who held office at the end of the accounting period with their brief profiles are featured on pages 94-96.

#### 4.1.a. New Appointments and Resignations of the Directors

There were 4 (four) new appointments and 4 (four) resignations of the directors during the year and are mentioned on page 101.

### 4.2 Major Shareholders

Details concerning the twenty-five (25) largest shareholders of the Company, the distribution schedule of shareholders, the percentage of shares held by the public and market values per share as stipulated by the Listing Rules of the Colombo Stock Exchange are provided under Shareholder Information on pages 188-190.

### 4.3 Directors' Interest in Shares

The relevant interests of Directors in the shares of the Company as at 31st March 2024 and 31st March 2023 are as follows:

Director's Name	31st March 2024	31st March 2023
Mr. R. S. A. Wickramasingha	Nil	Nil
Ms. D. S. Wickramasingha	Nil	Nil
Mr. E. T. De Zoysa	Nil (Till 31 December 2023)	Nil
Mr. M. C. Dahanayake	Nil (From 1 January 2024)	Nil
Mr. M. U. S. G. Thilakawardana	Nil (Till 31 March 2024)	Nil
Dr. D. M. A. Kulasooriya	Nil (Till 31 March 2024)	Nil
Mr. M. S. Nanayakkara	Nil (Till 31 March 2024)	Nil
Mr. L. J. M. De Silva	Nil	Nil
Ms. N. K. Wickramasingha	Nil	Nil
Mr. M.E. Wickremesinghe	Nil (From 31 March 2024)	N/A
Ms. S.T. Ratwatte	Nil (From 31 March 2024)	N/A
Mr. I.S. Fonseka	Nil (From 31 March 2024)	N/A

Mr. R.S.A. Wickramasingha, Ms. D.S. Wickramasingha, Ms. N.K. Wickramasingha and Mr. L. J. M. De Silva served as Directors of CBL Investments Limited, which held 1,962,977 shares equivalent to 71.381% of the shares constituting the Stated Capital of the Company.

#### 4.4 Interest Register

The Company maintains an Interest Register in terms of the Companies Act No.07 of 2007. The relevant interests of Directors in the shares of the Company as at 31st March 2024 as recorded in the interest register are given in this report under Directors' Shareholding.

The Directors declare that all the material interests in contracts involving the Company have been disclosed to the Board and wherever any Director was materially interested in a contract or a proposed contract with the Company, they have refrained from voting on such contracts. It is further declared that during the year under review, the Company did not enter into any contracts in which any Director was materially interested.

#### 4.5 Retirement and Re-appointment of Directors

Mr. R. S. A. Wickramasingha who is 77 years of age vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (b) of the Companies Act No.7 of 2007 and is recommended by the Board for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Mr. L. J. M. De Silva who is 80 years of age vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (b) of the Companies Act No.7 of 2007 and is recommended by the Board for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Mr. I.S. Fonseka, Mr. M.E. Wickremesinghe and Ms. S.T. Ratwatte retire in terms of Article 26 (6) of the Articles of Association and being eligible are recommended by the Board for re-election.

#### 4.6 Additional Disclosures Pertaining to the Directors

##### Material Business Relationships

None of the Directors or close family members have any material business relationships with other Directors of the Company.

##### Other Directorships held by the Directors

The details are mentioned on page 94-96.

### 5. FINANCIAL RESULTS AND APPROPRIATIONS

#### 5.1 Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 144.

#### 5.2 Capital Expenditure

The total capital expenditure during the year was Rs.87.7 Mn. Details of the movements in property, plant and equipment are given in Note 12 to the Financial Statements on page 158.

#### 5.3 Land Holdings

The Company does not own any freehold land.

#### 5.4 Investments

Details of the Company's investments as at 31st March 2024 are given in Note 18 to the Financial Statements on page 166.

#### 5.5 Contingent Liabilities

The Contingent Liabilities as at 31st March 2024 are given in Note 29.3 to the Financial Statements on page 173.

#### 5.6 Financial Ratios

The Earnings Per Share and other financial ratios are given under the Performance Highlights on page 14.

#### 5.7 Donations

The total amount of donations made during the year under review amounted to Rs.5.41 Mn.

### 6. INVESTOR RELATIONS

#### 6.1 Stated Capital

The Stated Capital of the Company is Rs. 52,521,178 represented by 2,750,000 Ordinary Shares.

#### 6.2 Dividend

The payment of a first and final dividend of Rs. 4.70 per share as recommended by the Board of Directors will be proposed at the Annual General Meeting.

#### 6.3 Share Information

The Company has not issued any new shares during the financial year ended 31st March 2024, hence the total number of shares remained same as last year.

### 7. CORPORATE GOVERNANCE

The Board of Directors confirms that the Company is compliant with the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

### 8. CODE OF CONDUCT AND ETHICS

The Company has implemented a Code of Business Conduct and Ethics applicable to all employees, mandating strict adherence without exceptions. Additionally, the Directors and Key Management Personnel have declared compliance with this Code of Conduct and Ethics. No violations of the code were reported during the year. For more details, refer to pages 87-102 for the Code of Conduct for Directors and Employees.

### 9. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's CSR initiatives are outlined in the 'Management Discussion and Analysis' section under Social and Relationship Capital on page 73 of the Annual Report.

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

## 10. SUSTAINABILITY

The Company has incorporated sustainability aspects into its business strategies. Please refer pages 34-38 for more details.

## 11. ENVIRONMENTAL PROTECTION

The Directors are confident that the Company works in a way that minimizes its adverse effects on the environment and delivers products and services that enrich its consumers and the communities in which it operates after receiving evidence from the Management. Please refer Natural Capital Section on page 80.

## 12. INTEGRATED RISK MANAGEMENT AND INTERNAL CONTROLS

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee. There were no material issues pertaining to the employees and industrial relations of the Company during the year.

Please refer page 104 for integrated risk management details.

## 13. STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company in the reporting period have been paid or where relevant provided for, except for certain assessments where appeals have been lodged. For more details, please refer Tax Governance on page 92.

## 14. COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS

The Board discloses any instances of non-compliance and material fines in the Annual Report. The Board conducts a quarterly

review and evaluation of compliance with laws, government regulations, CSE listing rules and company policies. For more details, please refer from page 124-136.

## 15. RELATED PARTY TRANSACTIONS (RPT) WITH THE COMPANY

All RPT which encompass the transactions of Directors who were directly or indirectly interested in a contract or a RPT with the Company during the accounting period are recorded in the interests register in due compliance with the applicable rules and regulations of the relevant regulatory authorities. Transactions of related parties (as defined in LKAS 24 - Related Party Disclosure) with the Company are set out in Note 31 to the financial statements. The Directors declare that the Company is in compliance with the Listing Rules of the CSE pertaining to RPT during the financial year ended 31st March 2024. For more details, please refer Note 31 on page 174 of the financial statements and Related Party Transactions Review Committee report on 120-121.

## 16. GOING CONCERN

After making adequate inquiries from the Management, the Directors are satisfied that the Company has adequate resource to continue its operations in the foreseeable future.

## 17. EVENTS OCCURRING AFTER THE REPORTING DATE

Details of the events occurring after the reporting date are given in Note 30 to the Financial Statements on page 174.

## 18. INDEPENDENT AUDITORS

Messrs. Ernst & Young, Chartered Accountants, served as the auditors for the year under review. The fee payable to the auditors for this period is Rs. 1,022,000 (2022/23: Rs.920,000). Additionally, Messrs. Ernst & Young provided tax compliance services during the year, with a fee payable amounting to Rs. 399,221 (2022/23: Rs.533,856).

Based on the recommendations of the Audit Committee, the Board is recommending to the shareholders, the re-appointment of Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of the forthcoming Annual General Meeting.

## 19. ANNUAL GENERAL MEETING

The Annual General Meeting will be held by electronic means (online platform) on 9th September 2024 at 3.30 p.m. centered at Ceylon Biscuits Limited at No.555, High Level Road, Makumbura, Pannipitiya. The Notice of the Annual General Meeting appears on page 198.

## 20. ACKNOWLEDGMENT

The Board of Directors has approved the Audited Financial Statements together with the Annual Report of the Board of Directors and the reviews which form part of the Annual Report. This Annual Report is signed for and on behalf of the Board of Directors by



R. S. A. Wickramasingha  
Chairman



M.C. Dahanayake  
Managing Director/ CEO



P W Corporate Secretarial (Pvt) Ltd.  
Secretaries

31st July 2024  
Colombo

# THE STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible under Sections 150 (1), 151 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare and present Financial Statements for each financial year.

The Directors confirm that the Company's Financial Statements present a true and fair view of:

- The financial position of the Company as of 31st March 2024 and
- The financial performance of the Company for the financial year ended 31st March 2024.

In preparing and presenting financial statements the Directors are responsible to ensure that,

- a. Sri Lankan Accounting Standards, as applicable have been followed
- b. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, as applicable have been adhered
- c. Appropriate accounting policies have been selected and applied consistently
- d. Reasonable prudent judgements and estimates have been made
- e. Companies Act No. 07 of 2007 and listing rules of Colombo stock exchange have been complied

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept, to enable, the determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly. The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the

financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis. The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The External Auditors, Messrs. Ernst & Young Chartered Accountants was provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the financial statements. The Report of the Auditors, shown on pages 139-141 sets out their responsibilities in relation to the financial statements.

## COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by Company as at the

reporting date have been paid or, where relevant, provided for. The Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements.

By order of the Board,

**Convenience Foods (Lanka) PLC.**



**P W Corporate Secretarial (Pvt) Ltd.**  
Secretaries

31st July 2024  
Colombo

# RESPONSIBILITY STATEMENT OF MANAGING DIRECTOR/ CEO AND GENERAL MANAGER FINANCE

The financial statements of Convenience Foods (Lanka) PLC as at 31st March 2024, are prepared and presented in conformity with the requirements of the following:

1. Sri Lanka Accounting Standards, issued by the Institute of Chartered Accountants of Sri Lanka
2. The Companies Act No. 07 of 2007
3. The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
4. Listing Rules of the Colombo Stock Exchange

We confirm that the significant accounting policies used in the preparation of the financial statements are appropriate and are consistently applied unless otherwise stated in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Audit Committee and with the external auditors.

We have taken proper and sufficient measures to implement systems of internal control and maintain accounting records to safeguard assets and prevent and detect fraud and other irregularities. These systems are regularly reviewed, evaluated and updated. Periodic audits conducted by the Group internal audit function provide reasonable assurance that the Company's established policies and procedures are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the internal auditors and the independent auditors to review the effectiveness of audits and to discuss auditing, internal control and financial reporting issues. The independent

auditors and the internal auditors have been provided full and free access to the Audit Committee to discuss any matter of substance.

The financial statements were audited by the independent external auditors, Messrs. Ernst & Young, Chartered Accountants. The Audit Committee approved the audit and non-audit services provided by the external auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that

- The Company has complied with all applicable laws, regulations and prudential requirements.
- There are no material non-compliances; and
- There are no material litigations that are pending against the Company other than what is disclosed in the Note 29.3 of financial statements.



**M.C. Dahanayake**  
Managing Director/CEO



**S.K.I. Sameera Senarathne**  
General Manager Finance

31st July 2024  
Colombo



# AUDIT COMMITTEE REPORT

The Audit Committee, appointed by the Board of CFL, is responsible for ensuring the adherence to the functions outlined in the Listing Rules. It operates under written terms of reference that clearly define its scope, authority and duties. Since the Company does not have separate committees for Audit and Risk functions, the Audit Committee also carries out the oversight of the Risk Management Functions as specified in the Listing Rules.

## COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Audit Committee consists of three (03) independent Non-Executive Directors. During the financial year ending 31st March 2024, the Audit Committee convened four (04) meetings. Members of management were invited to these meetings to brief the Audit Committee on specific issues. Additionally, the Audit Committee met with the External Auditor, Messrs. Ernst & Young Sri Lanka, Chartered Accountants, to understand the nature, scope and approach of the External Audit function and to review the financial statements and management reports. The profiles of the Audit Committee members, along with their attendance and Directorship status, are provided in the table below.

Name	Directorship	Membership	Eligible to Attend	Attendance
Mr. M. S. Nanayakkara**	Independent Non-Executive Director	Chairperson*	1	4/4
Dr. D. M. A. Kulasooriya**	Independent Non-Executive Director	Member	1	3/4
Mr. M. U. S. G. Thilakawardana**	Independent Non-Executive Director	Member	1	4/4
Ms. S. T. Ratwatte***	Independent Non-Executive Director	Chairperson	0	0/0
Mr. I. S. Fonseka***	Independent Non-Executive Director	Member	0	0/0
Mr. M. E. Wickremesinghe***	Independent Non-Executive Director	Member	0	0/0

\* Resigned as Chairperson with effect from 31st March 2024.

\*\* Resigned from the Committee with effect from 31st March 2024.

\*\*\*Appointed to the Committee with effect from 01 April 2024.

Effective 01 April 2024, the composition of the Audit committee is as follows,

Name	Directorship	Membership
Ms. S. T. Ratwatte	Independent Non-Executive Director	Chairperson
Mr. I. S. Fonseka	Independent Non-Executive Director	Member
Mr. M. E. Wickremesinghe	Independent Non-Executive Director	Member

Please refer page 87 onwards under corporate governance for the individual profile information, experience, periodic evaluations, communication to directors, induction programs conducted, independence and compliance with CSE continuing listing rules.

## INVITEES

The Managing Director, General Manager - Group Internal Audit and General Manager - Finance are permanent invitees for audit committee meetings.

## SECRETARY TO THE COMMITTEE

Messrs. P W Corporate Secretarial (Pvt) Ltd acts as the Secretary to the Audit Committee.

## EXPERTISE OF THE COMMITTEE

The members contributed a diverse array of expertise and knowledge to the Audit Committee, facilitating the efficient execution of its operations. Detailed information about the members' experience, qualifications and expertise is provided in their brief profiles on pages 94 of the Annual Report.

## CHARTER OF THE AUDIT COMMITTEE

The Audit Committee Charter of the Company has been reviewed and approved by the Board to ensure its alignment with the principles of the 'Code of Best Practice on Corporate Governance' issued by the Institute of Chartered Accountants of Sri Lanka (CA, Sri Lanka) and compliance with Rules on Corporate Governance under the Listing Rules of Colombo Stock Exchange. The Audit Committee Charter clearly defines the terms of reference of the Audit Committee, thereby ensuring effective oversight of financial reporting, Internal Control, Compliance, Risk Management, External Audit.

## PURPOSE AND OBJECTIVES

The purpose of the Audit Committee is to provide a structured, systematic oversight of the organization's governance, risk management and internal control practices. The committee assists the Board

# AUDIT COMMITTEE REPORT

and management by providing advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of the internal audit activity, external auditors and other providers of assurance
- Financial statements and public accountability reporting.

In broad terms, the Audit Committee reviews each of the items noted above and provides the Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

## KEY ACTIVITIES IN 2023/24

### 1. Meetings

The Audit Committee conducted four (4) meetings during the year. The attendance of the Committee members at each of these meetings is given on page 101.

### 2. Financial Reporting

The Committee ensured the establishment of a robust financial reporting system to deliver precise and timely information to management, regulatory authorities and shareholders. It conducted thorough reviews and discussions with management on both unaudited quarterly financial statements and annual audited financial statements. These reviews focused on ensuring high standards of quality, transparency, integrity, accuracy and compliance with relevant standards and regulations throughout the reporting period.

The Committee reviewed the following areas, in discussion with the management where necessary:

- Reviewed the Interim Financial Statements for all four quarters and the Annual Financial Statements for the year 2023/24 prior to publication. This review included evaluating the acceptability of accounting principles, compliance with Listing Rules, the Companies Act No. 7 of 2007 and assessing the reasonableness of significant estimates and judgements.
- Evaluated the implications of new accounting standards and significant accounting and reporting matters.
- Obtain assurance from the MD/ CEO and General Manager-Finance that financial records are properly maintained and provide a true and fair view, compliance with financial reporting and information requirements under listing rules, the Companies Act and the SEC Regulations and other relevant financial reporting related regulations and requirements and on the adequacy and effectiveness of the risk management and internal control systems.

### 3. Cybersecurity Review

The Committee assessed the advancements made by CFL in implementing various technical solutions and operational improvements to address cybersecurity threats, reviewing the progress of cybersecurity evaluations.

### 4. Compliance

The Committee reviewed and evaluated compliance with laws, government regulations, CSE listing rules and Company policies on a quarterly basis.

## 5. Internal Audit

The Committee thoroughly assessed the execution of Convenience Foods (Lanka) PLC's annual internal audit plan and reviewed findings pertaining to internal controls, encompassing IT controls and management's responses. Additionally, the Committee conducted a comprehensive evaluation of the Internal Audit function, focusing on its independence, authority and audit strategy.

Group internal audit function submits their findings to both CFL Audit Committee and CBL Group Audit Committee. The Internal Audit function plays a pivotal role in delivering risk-based, impartial assurance, guidance and strategic insights aimed at strengthening the organization's internal control framework.

## 6. Internal Controls and Risk Management

The Committee conducts procedures aimed at identifying, evaluating and monitoring enterprise-level risks. This included assessing the effectiveness of the organization's control framework and analyzing the Company's risk management process, encompassing the overall control environment and key risk controls. The Committee actively monitors management's efforts to uphold an effective enterprise-wide risk management process.

## 7. External Audit

The Committee reviewed external audit reports and evaluated management's responses to ensure prompt and suitable actions were taken. It also assessed the independence of the External Auditor and oversaw their operations to prevent any conflicts of interest. In case the external auditor provides non audit services to the Company, the objectivity and independence

are safeguarded taking necessary actions and disclosures with the external auditor.

Based on their qualifications, expertise, resources and independence, the Committee recommended to the Board the re-appointment of Messrs. Ernst & Young Sri Lanka as the External Auditor, along with their remuneration and terms of engagement.

#### **Independence and objectivity of the external auditors**

As of the reporting date, there are no identified threats compromising independence and steps have been taken to mitigate any such threats to an acceptable level. The engagement team and other relevant personnel have complied with ethical requirements concerning independence, including those outlined by Messrs. Ernst & Young Sri Lanka, Chartered Accountants, where applicable. All auditing practitioners must adhere to ethical standards, ensuring compliance with relevant codes and implementing necessary safeguards to effectively mitigate threats.

#### **CONCLUSION**

The Audit Committee is satisfied that the effectiveness of the financial reporting process, the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with Company policies and that Company assets are properly accounted for and adequately safeguarded.



**S. T. Ratwatte**

Chairperson of the Audit Committee

31st July 2024  
Colombo

# REMUNERATION COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE

During the financial year ending 31st March 2024, the Remuneration Committee (the "Committee") of the Company comprised a Non-Executive Director and two (02) Independent Non-Executive Directors. An Independent Non-Executive Director was appointed the Chairperson of the Committee with effect on 01 April 2024. The number of meetings held by the Committee was one (01).

The members of the Committee and their attendance are as follows:

Name	Directorship	Membership	Eligible to Attend	Attendance
Ms. N. K. Wickramasingha	Non-Executive Director	Chairperson*	1	1/1
Mr. Udara Thilakawardana**	Independent Non-Executive Director	Member	1	1/1
Dr. D. M. A. Kulasooriya**	Independent Non-Executive Director	Member	1	1/1
Mr. M. E. Wickremesinghe***	Independent Non-Executive Director	Chairperson	0	0/0
Ms. S. T. Ratwatte***	Independent Non-Executive Director	Member	0	0/0

\* Resigned as Chairperson with effect from 31st March 2024 and remained a member of the Committee.

\*\* Resigned from the Committee with effect from 31st March 2024.

\*\*\*Appointed to the Committee with effect from 01 April 2024.

Effective 01 April 2024, the new composition of the committee is as follows,

Name	Directorship	Membership
Mr. M. E. Wickremesinghe	Independent Non-Executive Director	Chairperson
Ms. S. T. Ratwatte	Independent Non-Executive Director	Member
Ms. N. K. Wickramasingha	Non-Executive Director	Member

The Managing Director and General Manager Finance of the Company are invitees to meetings of the Committee.

## CHARTER OF THE COMMITTEE

The Committee is tasked with establishing and maintaining the remuneration policies including terms of reference of the Company as a whole. The policies have been designed in such a manner as to reward, motivate and retain the Company's executive team while maximizing the overall profitability of the organization in the long-term. The Committee has acted within the parameters set out by the Listing Rules of the Colombo Stock Exchange ("CSE"). Recruitment and remuneration of the senior executive team are discussed at meetings of the Committee.

The Committee meets as needed to ensure effective two-way communication, comprehensive dialogue and resolution of issues. During these meetings, recommendations are made regarding compensation structures, bonuses, increments and matters related to the recruitment of the senior executive team. Additionally, the Committee aims to ensure that members of the Company's senior executive team are competitively rewarded for their performance and commitment to the Company's goals.

## REMUNERATION POLICY

The Committee has established and maintained a formal and transparent procedure for developing the remuneration policy for Executive Directors and determining Directors' remuneration packages, ensuring impartiality by excluding Directors from setting their own remuneration. During the reporting period, the Committee has operated within the guidelines outlined by the Listing Rules of the CSE.

The Company's remuneration policy is designed to achieve several key objectives. Firstly, it aims to attract top-tier talent and retain essential employees critical to the Company's operations. Secondly, it focuses on rewarding employees based on their performance and adherence to criteria aligned with the Company's overarching goals and fostering a culture of accountability and motivation. The policy ensures that the salary and benefits structures are competitive with industry standards and best practices. The Company's remuneration policy is intended to drive sustained performance and long-term value creation for its stakeholders.

Remuneration for Non-Executive Directors is a fixed fee for their participation in Board and sub-committee meetings, with no variable component to ensure that their independence is not impaired. The fee such paid adopts the principle of non-discriminatory pay practices and set based on market rates.

### KEY ACTIVITIES DURING THE PERIOD UNDER REVIEW

- The Committee authorized the annual salary increase of the employees based on performance
- The Committee assessed the performance of Key Management Personnel (KMPs) including the Chief Executive Officer
- The Committee evaluated the organisational structure and succession planning for critical functions in the Company
- The Committee reviewed and authorized the revision of employee benefits
- The Committee determined the remuneration of the Chief Executive Officer in terms of the criteria set out by the Board

### REMUNERATION OF DIRECTORS

The Directors' remuneration during the financial year ended 31st March 2024 amounts to Rs. 51.3 Mn, compared to Rs. 40.6 Mn in the previous year. This includes remuneration for both Executive and Non-Executive Directors.

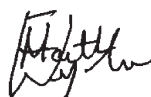
### REMUNERATION OF EMPLOYEES

The Company has established a remuneration structure that aims to provide equitable and competitive compensation packages for employees across all levels of the organization. The structure comprises a combination of

fixed elements (such as basic salary and annual bonuses) and variable elements (such as performance-based bonuses). This allows employees to be recognized and rewarded for their individual and collective accomplishments. The remuneration structure undergoes regular reviews to ensure alignment with market trends, industry standards and best practices, thus ensuring competitiveness and fairness.

### CONCLUSION

The Committee is satisfied that the Company adheres to proper human resource management procedures and compensation guidelines intended to draw in, grow and protect employees with professional, managerial and operational expertise who can fill leadership positions within the Company to meet strategic and operational goals.



**M. E. Wickremesinghe**  
Chairperson of the Remuneration Committee

31st July 2024  
Colombo

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Committee comprises three (03) Independent Non-Executive Directors and aligned with the Listing Rules and Code of Best Practice of CA Sri Lanka. During the financial year ended 31st March 2024, the Committee held four (04) meetings. The members of the management attended the meetings upon invitation to brief the Committee on specific issues.

The attendance and Directorship status are given in the below table.

Name	Directorship	Membership	Eligible to Attend	Attendance
Dr. D. M. A. Kulasooriya***	Independent Non-Executive Director	Chairperson*	1	3/4
Mr. M. S. Nanayakkara***	Independent Non-Executive Director	Member	1	4/4
Mr. M. U. S. G. Thilakawardana***	Independent Non-Executive Director	Member	1	4/4
Mr. E. T. De Zoysa **	Executive Director	Member	1	3/4
Mr. I. S. Fonseka****	Independent Non-Executive Director	Chairperson	0	0
Ms. S. T. Ratwatte****	Independent Non-Executive Director	Member	0	0
Mr. M. E. Wickremesinghe****	Independent Non-Executive Director	Member	0	0

\*Resigned as Chairperson and from the Committee with effect from 31st March 2024.

\*\* Resigned from the Committee with effect from 31st December 2023.

\*\*\* Resigned from the Committee with effect from 31st March 2024.

\*\*\*\*Appointed to the Committee with effect from 01 April 2024.

Effective 01 April 2024, the new composition of the committee is as follows,

Name	Directorship	Membership
Mr. I. S. Fonseka	Independent Non-Executive Director	Chairperson
Ms. S. T. Ratwatte	Independent Non-Executive Director	Member
Mr. M. E. Wickremesinghe	Independent Non-Executive Director	Member

The Managing Director and General Manager Finance are permanent invitees for the Related Party Transactions Review Committee meetings.

## CHARTER OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the requirements, limits and reporting guidelines of the SEC Code of Best Practices on Related Party Transactions ("the Related Party Code") and the Listing Rules of the Colombo Stock Exchange (CSE). When

applying these rules on related party transactions, the objective and the economic and commercial substance of the transactions take precedence over the legal form and technicality. The Committee Charter also defines the terms of reference.

Furthermore, the Committee establishes guidelines and policies for management and reporting of Related Party Transactions (RPT). The Committee remains steadfast in ensuring that fairness and transparency are maintained in reviewing Related Party Transactions, communicating the same to the Board and reviewing required market disclosures to be published at Colombo Stock Exchange (CSE) as necessary. The Committee has also adopted the best practices as recommended by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and ensures that transactions are in line with the Company's' internal governance framework and associated policies. The Committee ensures that they have, or have access to, enough knowledge and expertise to assess all aspects of proposed related party transactions and where necessary, obtains appropriate professional and expert advice.

Where necessary, the Committee requests the Board to approve Related Party Transactions under review before proceeding with them. If a Director has a material personal interest in a matter being considered at a Board meeting to approve a related party transaction, the Director will not be present during the discussion or vote on the matter. The Committee reviews proposed Related Party Transactions in advance according to listing rules and will take actions to obtain shareholder approval through a special resolution for both recurrent and non-recurrent transactions as specified by the listing rules or make immediate CSE disclosures and/or in the annual report accordingly.



### KEY ACTIVITIES IN 2023/24

- The Committee met four times during the year to review RPT and reported the meeting outcome to the Board of Directors
- There were no non-recurrent or recurrent RPT that exceeded the respective thresholds mentioned in the Listing Rules of the CSE
- Reviewed all Related Party Transactions across the four quarters and verified that these transactions were conducted at arm's length basis
- Reviewed and approved Related Party Transactions took place periodically

### KEY MANAGEMENT PERSONNEL

Key Management Personnel of the Company include members of the Board of Directors and identified senior management personnel of the Company. The Committee ensures that no participant in the discussions of a Related Party Transaction shall be a direct Related Party to the particular transaction. However, such persons may participate in the discussion for the sole purpose of providing information on such transactions.

### DISCLOSURES DURING THE YEAR

A detailed disclosure of all the Related Party Transactions including Recurrent and Non-Recurrent Related Party Transactions which are required to be disclosed under Section 07 and 09 of the Listing Rules of the CSE has been made in Note 31.2 to the financial statements on page 139-186. Further, it is required to disclose the Related Party

Transactions exceeding 10 percent of the equity or 5 per cent of the total assets of the entity as per audited financial statements, whichever is lower to comply with this listing rule. Please refer Note 31.2 to the financial statement for further details.

### CONCLUSION

The Related Party Transactions Review Committee confirms that the Company has complied with the disclosure requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.



I. S. Fonseka

Chairperson of the Related Party Transactions Review Committee

31st July 2024

Colombo

# NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

The Nominations and Governance Committee (the “Committee”) of the Board of Directors (the “Board”) was established in the financial year ended 31st March 2024, in accordance with Rule 9.11 of the Listing Rules of the Colombo Stock Exchange (“CSE”). The Company maintains a formal procedure for appointing new Directors of the Company and re-electing existing Directors through the Committee. The Committee’s responsibilities include overseeing and advising the Board on corporate governance, appointment of Directors, evaluation processes for Directors and ensuring compliance with the Listing Rules of the CSE.

## COMPOSITION AND ATTENDANCE

The Committee comprises a Non-Executive Director and two (02) Independent Non-Executive Directors. An Independent Non-Executive Director functions as the Chairperson of the Committee. The number of meetings held by the Committee was one (01). The members of the Committee and their attendance are as follows:

Name	Directorship	Membership	Eligible to Attend	Attendance
Mr. M.U.S.G. Thilakawardana*	Independent Non-Executive Director	Chairperson	1	1/1
Mr. M. S. Nanayakkara*	Independent Non-Executive Director	Member	1	1/1
Mr. Lakshman De Silva*	Non-Executive Director	Member	1	1/1
Mr. M. E. Wickremesinghe**	Independent Non-Executive Director	Chairperson	0	0/0
Ms. S. T. Ratwatte**	Independent Non-Executive Director	Member	0	0/0
Ms. N. K. Wickramasingha**	Non-Executive Director	Member	0	0/0

\*Appointed during the Financial Year 2023/2024 and resigned with effect from 31st March 2024.

\*\*Appointed with effect from 01 April 2024.

Effective 01 April 2024, the new composition of the Nominations and Governance Committee is as follows,

Name	Directorship	Membership
Mr. M. E. Wickremesinghe	Independent Non-Executive Director	Chairperson
Ms. S. T. Ratwatte	Independent Non-Executive Director	Member
Ms. N. K. Wickramasingha	Non-Executive Director	Member

The Managing Director/CEO and General Manager Finance of the Company are invitees to meetings of the Committee.

## CHARTER OF THE COMMITTEE

The Committee was established by the Board to ensure the Board's oversight and control over the selection of Directors, the Chief Executive Officer (the “CEO”) and key management personnel of the Company and to exercise the functions enumerated in Rule 9.11.5 of the Rules of the Colombo Stock Exchange.

The Committee has written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings. All newly appointed Non-Executive Directors should be required to submit themselves for re-election once in every three (3) years.

## KEY RESPONSIBILITIES AND DUTIES OF THE COMMITTEE

- Evaluate and recommend appointments to the Board and its committees, excluding decisions on their own appointments
- Assess and recommend the re-appointment/re-election of current Directors based on their contributions, knowledge and external commitments
- Establish and maintain a formal procedure for evaluating, selecting and appointing/re-appointing Directors
- Set and maintain criteria for selecting Directors, considering qualifications, skills, experience and industry-specific needs
- Implement processes for the periodic evaluation of the Board and the CEO to ensure satisfactory performance
- Develop succession plans for the Board and key management personnel

- Review and recommend changes to the structure, size and composition of the Board and its committees for effective governance
- Review and recommend the overall corporate governance framework, aligning with regulatory requirements and best practices
- Periodically update corporate governance policies in line with regulatory and legal developments
- Receive reports from the Management of the Company on compliance with corporate governance including applicable laws and rules

During the financial year ended 31st March 2024 the following appointments were made to the Board of the Company consequent to the recommendations of the Committee.

Mr. M. E. Wickremesinghe  
Ms. S. T. Ratwatte  
Mr. I.S. Fonseka

Please refer Page 87 onwards under corporate governance for the individual profile information, experience, periodic evaluations, communication to Directors, induction programs conducted, independence and compliance with CSE continuing listing rules.



**M. E. Wickremesinghe**  
Chairperson of the Nominations and  
Governance Committee

31st July 2024  
Colombo

# COMPLIANCE SUMMARY

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

CSE Rule		Reference (within CFL Annual Report)	Page Reference	Compliance Status
(i)	Names of persons who were directors of the entity	Board of Directors	94-101	Compliant
(ii)	Principal activities during the year and any changes therein	About the Company	06	Compliant
(iii)	The names, no. of shares held including % of the 20 largest holders of voting and non-voting shares	Shareholder and Investor Information	188-190	Compliant
(iv)	a) The float adjusted market capitalisation, public holding %, no. of public shareholders and under which option the Entity complies with the Minimum Public Holding requirement			Compliant
	The public holding % in respect of non-voting Shares			Not Applicable
	b) The public holding % in respect of Foreign Currency denominated Shares			Not Applicable
(v)	A statement of each director's holding and managing director's (CEO's) holding in shares			Compliant
(vi)	Information pertaining to material foreseeable risk factors	Integrated Risk Management	104-109	Compliant
(vii)	Details of material issues pertaining to employees and industrial relations	The Capital Reports, Stakeholder Engagement and Materiality	39-85	Compliant
(viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Notes to the Financial Statements	146-186	Compliant
(ix)	No. of shares representing the entity's stated capital	Shareholder and Investor Information	188-190	Compliant
(x)	A distribution schedule of the number of holders in each class of equity securities and % of their total holdings			Compliant
(xi)	Financial ratios and market price information	Performance Highlights	14-15	Compliant
(xii)	Significant changes in the Company's fixed assets and the market value of Land, if the value differs substantially from the book value as at the end of the year	Notes to the Financial Statements	146-186	Compliant
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	No Public Issue, Rights Issue and a Private Placement Took Place	N/A	Compliant
(xiv)	Information of ESOS or ESPS	No ESOS or ESPS offered	N/A	Compliant
(xv)	Disclosures pertaining to corporate governance practices in terms of Listing Rules 7.10.3, 7.10.5 c. and 7.10.6 c.	Corporate Governance Section	87-136	Compliant
(xvi)	RPT exceeding 10% of the equity or 5% of the total assets as per audited financial statements, whichever is lower	RPTR Committee Report & Note 31 of the Financial Statements	120-121,174	Compliant

## STATEMENT OF COMPLIANCE UNDER SECTION 9 OF THE REVISED LISTING RULES OF THE CSE ON CORPORATE GOVERNANCE

Rule	Compliance and Implementation	Page No.	Effective Date	Status
<b>9</b>	<b>Corporate Governance</b>			
<b>9.1</b>	<b>Applicability of Corporate Governance Rules</b>			
	Complied with CSE Listing Rule Section 9 by verifying its adherence to corporate governance rules. Refer Annual Report Board of Directors	110	1st October 2023	Complied
<b>9.2</b>	<b>Policies</b>			
9.2.1	The Company has established and continues to maintain the policies on Matters relating to the Board, Board Committees, Corporate Governance, Nominations, Remuneration, Internal Code of Business Conduct and Ethics, Risk Management and Internal Control, Relations with Shareholders and Investors, Environment, Social Governance and Sustainability, Control and Management of Company Assets and Shareholder Investments, Corporate Disclosures Whistleblowing and Anti Bribery and Corruption Please visit <a href="https://conveniencefoodslanka.com">https://conveniencefoodslanka.com</a> for details	88	1st October 2024	Early Adopted
9.2.2	The Company has complied with the Internal Code of Business Conduct and ethics. Please refer Ethics and Integrity Practices	87, 102	1st October 2024	Complied
9.2.3- 9.2.4	Entities must disclose in the Annual Report: a list of corporate governance policies with website references, details of any changes to those policies and make these policies available to shareholders upon written request	88, 125	1st October 2024	Early Adopted
<b>9.3</b>	<b>Board Committees</b>			
9.3.1- 9.3.2	The Company maintains the Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee The composition, responsibilities and disclosures required in respect of the above-Board committees have been complied and disclosed. Please refer respective committee reports for more details	115-123	1st October 2023	Complied
9.3.3	The Chairperson of the Board of Directors is not the Chairperson of any Board committees referred to in rule 9.3.1 above	88, 115-123	1st October 2024	Early Adopted
<b>9.4</b>	<b>Meeting Procedures and the Conduct of all General Meetings with Shareholders</b>			
9.4.1	The Company maintains information required by 9.4.1 and the required information has been provided to the Exchange and/or the SEC upon request	97	1st October 2023	Complied
9.4.2	The Company has a Shareholder Communication and Relations policy and its existence is published on the annual report and corporate website. The contact person is mentioned. The policy includes a process whereby Directors are informed of major issues and concerns of shareholders. The shareholder meetings through virtual means to comply with the CSE Guidelines	90, Inner back cover	1st October 2023	Complied
<b>9.5</b>	<b>Policy on Matters Relating to the Board of Directors</b>			
9.5.1 - 9.5.2	The Company maintains a Policy on Matters relating to the Board of Directors which addresses the requirements in rules 9.5.1 and 9.5.2	88, 125	1st October 2024	Early Adopted
<b>9.6</b>	<b>Chairperson and CEO</b>			
9.6.1 - 9.6.4	The roles of Chairperson and CEO/MD are occupied by distinct individuals; hence the Company has not designated a Senior Independent Director (SID). The Chairperson is a Non-Executive Director	89, 97	1st October 2023	Complied

## COMPLIANCE SUMMARY

Rule	Compliance and Implementation	Page No.	Effective Date	Status
<b>9.7</b>	<b>Fitness of Directors and CEOs</b>			
9.7.1 - 9.7.5	Every member of the Board is a fit and proper person to act as Director and CEO/ MD	90	1st April 2024	Early Adopted
<b>9.8</b>	<b>Board Composition</b>			
9.8.1- 9.8.2	The Board consists of 8 (Eight) Directors and 3 (Three) are independent. Hence 1/3 of the total number of Directors are independent, as required	96	1st October 2024	Early Adopted
9.8.3- 9.8.4	The criteria for determining independence have been disclosed. Please refer the Section - Maintaining the Independence and Objectivity	99-100	1st October 2024	Early Adopted
9.8.5	Directors have annually submitted the formal declaration of independence/ non-independence. The Board has reviewed these annual declarations and other available information to verify adherence to the criteria for assessing independence	99	1st October 2023	Complied
<b>9.9</b>	<b>Alternate Director</b>			
	The Company was not required to appoint an Alternate Director	N/A	1st Jan 2024	Complied
<b>9.10</b>	<b>Disclosures Relating to Directors</b>			
9.10.1	The maximum no of Directorships is in line with the policy on matters relating to the Board of Directors as per Rule No 9.5.1	88, 125	1st October 2023	Complied
9.10.2	There were 4 new appointments in the Board and upon such appointment, the Company has made an immediate market announcement during the year Please refer Section - Board of Directors for more details	101		Complied
9.10.3	There were changes to the composition of the Board Committees referred to in Rule 9.3 and market disclosures were made accordingly Please refer Sub-committee Reports for more details	115-123		Complied
9.10.4	All the information required to rule no. 9.10.4 has been disclosed Ms. D S Wickramasingha and Ms. N K Wickramasingha are Close Family Members and Mr. R S A Wickramasingha is relative to those Directors	87-123		Complied
<b>9.11</b>	<b>Nominations and Governance Committee (NGC)</b>			
9.11.1- 9.11.3	Entity to have a NGC, which follows Rule 9.11 and maintains a formal procedure for appointing and re-electing Directors. This committee to have written terms of reference outlining its scope, authority, duties and meeting quorum requirements	122	1st October 2024	Early Adopted
9.11.4	Composition of the Committee: (1) The NGC includes at least 3 Directors from the Entity, with a minimum of 2 being Independent Directors and must exclude Executive Directors. (2) An Independent Director is the Chairperson of the Committee. (3) The Chairperson and the Committee members disclosed in the Annual Report Please refer to Nominations and Governance Committee report	122		Early Adopted
9.11.5	Functions of the Committee: The Committee fulfils its duties in accordance with Section 9.11.5. New appointments have been disclosed Please refer to Nominations and Governance Committee report	122-123		Early Adopted
9.11.6	Disclosures: The Annual Report contains a report of the NGC signed by its Chairperson with required disclosures	122-123		Early Adopted



Rule	Compliance and Implementation	Page No.	Effective Date	Status
<b>9.12</b>	<b>Remuneration Committee</b>			
9.12.1 – 9.12.5	The Company has a Remuneration Committee with a formal, transparent process for setting Executive Directors' remuneration policies and packages, excluding any Director from determining their own pay. The Committee operates under written terms of reference detailing its scope, authority, duties and quorum requirements. Please refer Remuneration Committee Report	118-119	1st October 2023	Complied
9.12.6	Composition of the Committee: (1) The Remuneration Committee includes at least 3 Directors from the Entity, with a minimum of 2 being Independent Directors and must exclude Executive Directors. (2) An Independent Director is the Chairperson of the Committee. (3) The Chairperson and the Committee members disclosed in the Annual Report. Please refer Remuneration Committee Report	118-119	1st October 2024	Early Adopted
9.12.7	Functions of the Committee: The Committee, recommends and assesses the relevance of the remuneration payable to the Executive Directors of the Company	119	1st October 2023	Complied
9.12.8	Disclosures: The Annual Report contains a report of the Remuneration Committee signed by its Chairperson with required disclosures	118-119	1st October 2023	Complied
<b>9.13</b>	<b>Audit Committee</b>			
9.13.1	Audit Committee additionally performs the audit and risk functions and does not maintain separate Committees to perform those functions	100, 115	1st October 2023	Complied
9.13.2	The Committee operates under a set of written terms of reference that clearly outline its scope, authority, duties	115	1st October 2023	Complied
9.13.3	Composition of the Committee: (1) The Audit Committee includes at least 3 Directors from the Entity, with a minimum of 2 being Independent Directors and must exclude Executive Directors. (2) An Independent Director is the Chairperson of the Committee. (3) The Chairperson and the Committee members disclosed in the Annual Report. Refer Audit Committee Report for detailed information underlying composition	115	1st October 2024	Complied
9.13.4	Functions of the Committee: The Committee fulfils its duties in accordance with Section 9.13.4. New appointments have been disclosed	116-117	1st October 2024	Early Adopted
9.13.5	Disclosures: The Annual Report contains a report of the Audit Committee signed by its Chairperson with required disclosures	115-117	1st October 2024	Early Adopted
<b>9.14</b>	<b>Related Party Transactions Review Committee (RPTRC)</b>			
9.14.1	The Company has a RPTRC that complies with Rule 9.14. The Committee operates under written terms of reference that define its scope, authority and duties	120	1st October 2023	Complied
9.14.2	Composition of the Committee: (1) The RPTRC includes at least 3 Directors from the Entity, with a minimum of 2 being Independent Directors. (2) An Independent Director is the Chairperson of the Committee. (3) The Chairperson and the Committee members disclosed in the Annual Report	120	1st October 2023	Complied

## COMPLIANCE SUMMARY

Rule	Compliance and Implementation	Page No.	Effective Date	Status
9.14.3	Functions of the Committee: The Committee fulfils its duties in accordance with Section 9.14.3. New appointments have been disclosed Refer the Related Party Transactions Review Committee Report	120-121	1st October 2023	Complied
9.14.4	General requirements: The RPTRC meets quarterly, documents meetings and informs the Board. Members must have the expertise to assess transactions and may seek advice; transactions require Board approval before proceeding. Interested Directors must abstain from participation and voting	120-121	1st October 2023	Complied
9.14.5 – 9.14.6	The RPTRC to review all proposed RPT in advance, including any material changes to previously reviewed transactions and ensure that all relevant details are provided by senior management. Shareholder approval is required for significant RPT, either before or conditionally on completion, with specific thresholds for non-recurrent and recurrent transactions and the RPTRC to evaluate whether transactions are on terms favorable to the related party	120-121	1st October 2023	Complied
9.14.7	Disclosures: There were no non-recurrent related party transactions which exceeded the aggregate value of 10% of the equity or 5% of the total assets. There were no recurrent related party transactions which exceeded aggregate value of the 10% of the gross revenue/income (or equivalent term in the Income Statement) during the year. The Board confirms that the Company has disclosed transactions with related parties in terms of Sri Lanka Accounting Standard (LKAS 24) and has complied with all requirements as per the CSE Listing Rules	120-121	1st October 2023	Complied
9.14.8	Disclosures in the Annual Report: There were no transactions in the aggregate value of the non-recurrent related party transactions exceeding 10% of the equity or 5% of the total assets of the Company, as per the latest Audited Financial Statements. Rules pertaining to RPT have been complied with	120-121	1st October 2023	Complied
9.14.9	No acquisitions or disposals occurred during the year from/to related parties	174-176	1st October 2023	Complied
9.14.10	Exempted Related Party Transactions: The Company has considered the exempted RPT when determining the RPT	N/A	1st October 2023	Complied
<b>9.16</b>	<b>Additional disclosures</b>			
	i) The Board of Directors has disclosed all material interests in entity contracts and refrained from voting on such matters. Please refer Annual Report of the Board of Directors	111	1st October 2023	Complied
	ii) The Board has reviewed internal controls and obtained reasonable assurance of effectiveness. Any inability to declare is explained. Please refer Annual Report of the Board of Directors	90	1st October 2023	Complied
	iii) The Board stays informed about applicable laws, rules and regulations. Refer Annual Report of Board of Directors	102, 108, 123	1st October 2023	Complied
	iv) The Board discloses instances of non-compliance and material fines in entity-operated jurisdictions. Refer Annual Report of Board of Directors	112	1st October 2023	Complied

## CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
<b>A</b>	<b>DIRECTORS</b>		
<b>A.1</b>	<b>An Effective Board Should Direct, lead and Control the Company</b>		
	The Board provides leadership and strategic direction to the Company, within the parameters of a prudent and effective governance framework as the representatives of the shareholders	89	Complied
<b>A.1.1</b>	<b>Regular Meetings, Structure and Process of Submitting Information</b>		
	The Board met four (4) times to discuss matters related to different areas such as strategy, compliance, performance, risk management and resource allocation. Refer Board Meetings and Attendance	101	Complied
<b>A.1.2</b>	<b>Roles and Responsibilities of the Board</b>		
	The role and responsibilities of the Board are mentioned under the subtopic of 'Responsibilities of the Board' in the Board of Directors section, as per its 2023/24 update	98-99	Complied
<b>A.1.3</b>	<b>Act in Accordance with the Laws of the Country</b>		
	The Board collectively and individually acts in accordance with national laws. Directors can request independent professional advice at the Company's expense when necessary	112	Complied
<b>A.1.4</b>	<b>Access to Advice and Services of the Company Secretary</b>		
	P W Corporate Secretarial (Private) Limited ensures Board procedures comply with relevant rules and regulations. The Company has obtained insurance for the Board.	97	Complied
<b>A.1.5</b>	<b>Independence Judgement</b>		
	The Board consists of diverse high-caliber professionals, capable of exercising independent judgement in the effective discharge of their duties and responsibilities	94-96	Complied
<b>A.1.6</b>	<b>Dedicate Adequate Time and Effort to Matters of the Company</b>		
	The Board of Directors is committed to fulfilling their duties and dedicating adequate time and attention during meetings to effectively contribute to decision-making	101	Complied
<b>A.1.7</b>	<b>Calls for Resolutions</b>		
	One third of the Directors can call for a resolution to be presented to the Board if deemed necessary	N/A	Complied
<b>A.1.8</b>	<b>Board Induction and Training</b>		
	The Board reviews on the training and development needs of the Directors and are provided guidelines on general aspects of directorships and industry specific matters	98, 101, 103	Complied
<b>A.2</b>	<b>Position of Chairman and MD/CEO Vested by Separate Persons</b>		
	The positions and functions of the Chairman and the Managing Director have been separated	89	Complied
<b>A.3 &amp; A.3.1</b>	<b>Chairman's Role in Preserving Good Corporate Governance and Conduct of Board Meetings</b>		
	The Chairman provides leadership to the Board and facilitates the effective discharge of duties in the best interests of the Board; maintains smooth functioning of the Board, presides at the Directors' and Shareholders' meetings to ensure Director participation and proper execution of Board proceedings	87, 97	Complied
<b>A.4</b>	<b>Financial Acumen and Knowledge</b>		
	The Board comprises of a Fellow Member of CIMA, UK and a Fellow Member of ICASL	94-96	Complied

## COMPLIANCE SUMMARY

Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
<b>A.5</b>	<b>The Board Balance</b>		
<b>A.5.1</b>	<b>Presence of Non-Executive Directors</b>		
	The Board consists of seven (7) Non-Executive Directors and one (1) Executive Director on its Board as at 31 March 2024. The Board balance is mentioned under the subtopic of "Board of Directors" in "Our Governance Framework section"	96	Complied
<b>A.5.2 - A.5.5</b>	<b>Independent Non-Executive Directors</b>		
	Three (3) out of seven (7) Non-Executive Directors are Independent. The independent declaration is mentioned under the subtopic of "Maintaining the Independence and Objectivity"	96, 99	Complied
<b>A.5.4</b>	<b>Annual Declaration of Directors</b>		
	Annual declarations citing their independence are obtained annually	99	Complied
<b>A.5.6</b>	<b>Alternate Directors</b>		
	Not Applicable.	N/A	N/A
<b>A.5.7 &amp; A.5.8</b>	<b>Senior Independent Director &amp; Confidential Discussions with Senior Independent Director</b>		
	This is not applicable as the Chairman and Managing Director/ (CEO) is not the same person.	N/A	Complied
<b>A.5.9</b>	<b>Chairman's meeting with Non-Executive Directors</b>		
	The Chairman meets with the Non-Executive Directors without the presence of Executive Director	N/A	Complied
<b>A.6</b>	<b>Supply of Information</b>		
	The Board be provided with timely information to discharge its duties	97, 100	Complied
<b>A.6.1</b>	<b>Management obligation to provide appropriate and timely Information to the Board</b>		
	The Board was provided with timely and appropriate information by the management by way of Board papers, internal memos and proposals	100	Complied
<b>A.6.2</b>	<b>Adequate time for effective Board Meetings</b>		
	The minutes, agenda and papers are circulated in advance to facilitate its effective conduct.	100	Complied
<b>A.7</b>	<b>Appointments to the Board: Nomination Committee</b>		
	Please refer Nominations and Governance Committee report	122-123	Complied
<b>A.8</b>	<b>Re-election and Resignation of Directors</b>		
	The re-election of Directors is governed by the Articles of Association and is performed at the AGM. In the event of resignation, a letter of resignation to be submitted by the Director which will be tabled at the Board meeting	101	Complied
<b>A.9</b>	<b>Appraisal of Board Performance</b>		
	The Board and Committees conduct their performance evaluation annually to review the participation, contribution and engagement of each Director in discharging their duties and responsibilities satisfactorily. Outcomes identified during the process were submitted to the Nominations and Governance Committee to make further improvements in Board effectiveness	89, 99	Complied
<b>A.10</b>	<b>Disclose Information in Respect of Directors as Specified in the Code</b>		
	The annual report set out the specified information in relation to each director.	94-96	Complied

Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
<b>A.11</b>	<b>Appraisal of the Chief Executive Officer [CEO]/MD</b>		
	The performance of the MD is evaluated annually based on the agreed objectives set by the Board	99	Complied
<b>B</b>	<b>DIRECTORS' REMUNERATION</b>		
<b>B.1</b>	<b>Remuneration Procedure</b>		
	CFL has a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. To avoid potential conflicts of interest, no Director is getting involved in deciding his/her own remuneration.	99	Complied
<b>B.2</b>	<b>Remuneration Committee</b>		
	Please refer to Remuneration Committee Report.	118-119	Complied
<b>B.3</b>	<b>Disclosure of Remuneration Policy</b>		
	Refer the Remuneration Committee report. Remuneration paid to Board of Directors – Refer Note 8 of the Financial Statements	118-119, 154	Complied
<b>C</b>	<b>RELATIONS WITH SHAREHOLDERS</b>		
<b>C.1</b>	<b>Constructive Use and Conduct of the Annual General Meeting (AGM)/ General Meetings</b>		
<b>C.1.1</b>	<b>Dispatch of Notice of AGM and related papers to shareholders</b>		
	The notice and the agenda of the AGM together with the annual report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting	90	Complied
<b>C.1.2</b>	<b>Separate Resolution for Substantially Separate Issues</b>		
	A separate resolution is proposed at an AGM on each substantially separate issues where necessary	90, 198	Complied
<b>C.1.3</b>	<b>Votes and Use of Proxy</b>		
	The Company ensures that all proxy votes are properly recorded and counted	90, 199-200	Complied
<b>C.1.4</b>	<b>Availability of all Sub-Committee Chairpersons at the Annual General Meeting (AGM)</b>		
	The Board arranges for the Chairpersons of audit, remuneration, nomination and related party transactions review committees to be available to answer queries at the AGM when necessary	NA	Complied
<b>C.1.5</b>	<b>Procedure of Voting at General Meeting</b>		
	A summary of the procedure governing voting at general meeting is circulated to shareholders with every Notice of the General Meeting	198	Complied
<b>C.2</b>	<b>Communication With Shareholders</b>		
<b>C.2.1</b>	<b>Effective Communication With Shareholders</b>		
	The main mode of communication channel between the Company and the shareholders is the AGM. Shareholders are provided with the information prior to the AGM	90	Complied
<b>C.2.2</b>	<b>Policy Methodology for Communication with Shareholders</b>		
	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. Company's contact details are published in the annual report, CSE and Company website	90	Complied
<b>C.2.3</b>	<b>Implementation of the Policy and Methodology for Communication with Shareholders</b>		
	The Company has implemented multiple channels of communication with its shareholders. The Secretary of the Company acts as a median/contactable body with regard to responding to queries raised by shareholders and brings the attention of the Board to significant issues. Important announcements are published through multiple channels: AGM, CSE, annual report, quarter reports and Company website to disseminate information	90	Complied

## COMPLIANCE SUMMARY

Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
<b>C.2.4 &amp; C.2.6</b>	<b>Contact Person for Communication</b>		
	Details of contact persons are disclosed in the annual report, CSE and Company website : <a href="http://www.conveniencefoodslanka.com">www.conveniencefoodslanka.com</a>	Inner Cover	Complied
<b>C.2.5</b>	<b>Process to Make Directors Aware of Major Issues and Concerns of Shareholders</b>		
	The Company Secretary maintains a record of all correspondence received. All major shareholder issues and concerns of the shareholders are referred to the Board of Directors with the views of the management	97	Complied
<b>C.2.7</b>	<b>Response to the Shareholders Matters</b>		
	The process for responding to shareholder matters have been formulated by the Board and disclosed. Such matters are responded at the shareholder meetings, publications at the Colombo Stock Exchange or through the Company Secretary	97, 125	Complied
<b>C.3</b>	<b>Major and Material Transactions</b>		
<b>C.3.1</b>	<b>Disclosure on Proposed Major Transaction</b>		
	During the year there were no any major and material transactions which affected the Company's net asset base and all related party transactions as defined in the LKAS 24 are disclosed in the Annual Report	120-121, 174-176	Complied
<b>C.3.2 - C.3.3</b>	<b>Shareholders' Approval by Special Resolution</b>		
	During the year under review, there were no transactions/events which require approval by way of a special resolution	120	Complied
<b>D.</b>	<b>ACCOUNTABILITY AND AUDIT</b>		
<b>D.1</b>	<b>Financial and Business Reporting</b>		
<b>D.1.1 &amp; D.1.2</b>	<b>Board's Responsibility to Present a Balanced and Understandable Assessment of the Company's Financial Position, Performance and Price-sensitive Public Reports</b>		
	The Company has presented balanced and understandable quarterly financial statements and annual report which give a true and fair view on Company's performance	52, 90, 113	Complied
<b>D.1.3</b>	<b>Declaration by Managing Director (CEO) and General Manager Finance on the Financial Reporting</b>		
	The Board obtains a confirmation from the MD/CEO and General Manager-Finance confirming that financial records are properly maintained, the financial statements comply with standards and present a true and fair view and risk management and internal control systems are effective before approving the financial statements	114	Complied
<b>D.1.4</b>	<b>Declarations by Board</b>		
	Directors have made necessary declarations. Please refer the Annual Report of the Board of Directors on the Affairs of the Company Report	110 - 112	Complied
<b>D.1.5</b>	<b>Statement of Directors Responsibility, Risk Management, Internal Controls and External Auditors' Report</b>		
	Please refer Annual Report of the Board of Directors on the Affairs of the Company, The Statement of Directors' Responsibilities for Financial Statements and Independent Auditor's Report	110-113, 139-141	Complied
<b>D.1.6</b>	<b>Management Discussion and Analysis</b>		
	Please refer Management Discussion and Analysis	22-85	Complied
<b>D.1.7</b>	<b>Summon an EGM to Notify Serious Loss of Capital</b>		
	No circumstances occurred during the period under review that warranted an EGM	N/A	Complied



Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
<b>D.1.8</b>	<b>Disclosure of Related Party Transactions</b>		
	A process to capture, document and disclose related party transactions is in place, to ensure compliance with relevant regulations. Please refer Related Party Transactions Review Committee Report	120-121	Complied
<b>D.2</b>	<b>Risk Management and Internal Control</b>		
<b>D.2.1</b>	<b>Framework, Process and Policy for Risk Management and Sound System of Internal Controls</b>		
	The Board and Management Committee has developed a framework for risk management and established the Board Committees for overview of implementation. Internal control design and operational effectiveness is reviewed independently by third party specialists and the observations are submitted directly to Group internal audit function to present at the Audit Committee. Please refer Integrated Risk Management Section and Audit Committee (Risk Committee) Report	104-109, 115-117	Complied
<b>D.2.2</b>	<b>Processes to Ensure Effective and Efficient Internal Controls are Designed, Implemented and Monitored</b>		
	The Board and Management Committee are responsible for managing the risks associated with our activities. Please refer Integrated Risk Management Section and Audit Committee (Risk Committee) Report	104-109, 115-117	Complied
<b>D.2.2.2 &amp; D.2.2.3 &amp; D.2.2.4</b>	<b>Internal Audit Function and Audit Committee Review of Internal Controls and Disclosures</b>		
	The Company has deployed an outsourced internal audit firm to review the design and operating effectiveness of the business process periodically. In addition to that the Group internal Audit team overlooks the internal audit matters of the Company. The risk management process has been designed on a standardized, holistic and integrated approach to manage risks. Please refer Integrated Risk Management Section  The Board audit committee ensures carrying out reviews of the process and effectiveness of internal controls and reports recommendations to the Board. Board makes disclosures on internal controls in the annual report. Please refer Board Audit Committee Report	115-117	Complied
<b>D.3</b>	<b>Audit Committee</b>		
<b>D.3.1</b>	<b>Composition of the Audit Committee</b>		
	The Audit Committee consists of three (3) Independent Non-Executive Directors	115-117	Complied
<b>D.3.2</b>	<b>Duties of the Audit Committee and Written Terms of Reference</b>		
	The audit committee has set written terms of reference, dealing clearly with its authority and duties, scope of work, duties and responsibilities. Please refer Audit Committee Report	115-117	Complied
<b>D.3.3</b>	<b>Disclosures of the Members of Audit Committee</b>		
	Please refer the Audit Committee Report for the disclosures	115-117	Complied
<b>D.4</b>	<b>Risk Committee</b>		
<b>D.4.1</b>	<b>Composition of the Risk Committee</b>		
	The Audit Committee plays the role of Risk Committee and consists of three (3) Independent Non-Executive Directors	115-117	Complied
<b>D.4.2</b>	<b>Duties of the Risk Committee and Written Terms of Reference</b>		
	The Audit Committee plays the role of Risk Committee and have written terms of reference	115-117	Complied
<b>D.4.3</b>	<b>Meetings of the Risk Committee</b>		
	The committee met four times. Please refer Board Attendance During 2023/2024	115-117	Complied

## COMPLIANCE SUMMARY

Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
<b>D.4.4</b>	<b>External Professional Advice</b>		
	The committee has authority to seek external professional advice if required	101, 115-117	Complied
<b>D.4.5</b>	<b>Report of the Risk Committee</b>		
	Please refer the Audit Committee Report for the disclosures and Integrated Risk Management Report	115-117, 104-109	Complied
<b>D.5</b>	<b>Related Party Transactions Review Committee (RPTRC)</b>		
<b>D.5.1</b>	<b>Related Party Transactions (RPT)</b>		
	Company is adhering to LKAS 24 and Transactions entered into with related parties during the year and is disclosed in Note 31.2 to the Financial Statements.	120-121, 174	Complied
<b>D.5.2</b>	<b>Composition of RPTRC</b>		
	RPTRC consists of three (3) Independent Non-Executive Directors	120-121	Complied
<b>D.5.3</b>	<b>Terms of Reference</b>		
	The RPTRC has set written terms of reference, dealing clearly with its authority and duties, scope of work, duties and responsibilities. Please refer RPTRC Report	120-121	Complied
<b>D.6</b>	<b>Code of Business Conduct and Ethics</b>		
<b>D.6.1</b>	<b>Availability of Code of Business Conduct and Ethics</b>		
	The Company is following a Code of Conduct for Directors, Key Management Personnel (KMP) and employees and have adhered to the Code during the year	102-103	Complied
<b>D.6.2</b>	<b>Material and Price Sensitive Information</b>		
	Material and price sensitive information is promptly identified and reported to the shareholders through Colombo Stock Exchange. Further, Financials are first published to CSE as per stipulated timeframe as per regulation	90, 120, 138	Complied
<b>D.6.3</b>	<b>Shares Purchased by Directors, KMP and Employees Involved in Financial Reporting</b>		
	The Company has a policy and a process for monitoring and disclosure of shares purchased by any Director, KMP and employees involved in financial reporting	125, 189	Complied
<b>D.6.4</b>	<b>Procedure to Deal with Complaints Received from Whistle-Blowers</b>		
	Please refer Policy on Whistleblowing under Fostering an Ethical Organizational Culture section	60, 102, 125	Complied
<b>D.6.5</b>	<b>Training on the Code of Business Conduct and Ethics</b>		
	The business Code of Conduct and Ethics is introduced as part of induction training of new employees	64, 101	Complied
<b>D.6.7</b>	<b>Affirmation of Code in the Annual Report by the Chairman</b>		
	Please refer Corporate Governance Statement by the Chairman	87	Complied
<b>D.7</b>	<b>Corporate Governance Disclosures</b>		
<b>D.7.1</b>	<b>Disclosure of Corporate Governance</b>		
	A corporate governance report is included in the annual report, detailing how the Company has complied with the principles and provisions of the Code. Please refer Corporate Governance section	87-136	Complied

Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
<b>SECTION 2</b>			
<b>E.</b>	<b>INSTITUTIONAL INVESTORS</b>		
<b>E.1</b>	<b>Shareholder Voting</b>		
<b>E.1.1</b>	<b>Dialogue with shareholders</b>		
	In order to avoid conflicts of interest by nurturing the mutual understanding, the Board carries out dialogues with its shareholders at General Meetings	90	Complied
<b>E.2</b>	<b>Evaluation of Governance Disclosures</b>		
<b>E.2</b>	<b>Due weightage by Institutional Investors</b>		
	The Institutional Investors are encouraged to give due weightage to relevant matters relating to the Board structure and composition	90, 188-190	Complied
<b>F.</b>	<b>OTHER INVESTORS</b>		
<b>F.1</b>	<b>Investing/ Divesting Decision</b>		
<b>F.1</b>	<b>Seek Independent Advice</b>		
	Individual shareholders are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	90, 188-190	Complied
<b>F.2</b>	<b>Shareholder Voting</b>		
<b>F.2</b>	<b>Encouraging Shareholder Participation</b>		
	Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights	90	Complied
<b>G</b>	<b>INTERNET OF THINGS AND CYBERSECURITY</b>		
<b>G.1</b>	<b>Internal and External IT devices connected to the Business</b>		
	Internal and external IT devices to the corporate network is executed according to the IT & Access Control Policies. Please refer IT and Cybersecurity Risk Governance section	91	Complied
<b>G.2</b>	<b>CISO (Chief Information Security Officer) and Cybersecurity Risk Management Policy</b>		
	The Group CISO is appointed and drives the cybersecurity risk management policy	91	Complied
<b>G.3</b>	<b>Discussions on Cyber Risk Management</b>		
	This has been reviewed on a regular and timely basis and has been given due attention for discussions about cyber-risk management	91	Complied
<b>G.4</b>	<b>Independent Periodic Review and Assurance of the Cybersecurity Risk Management</b>		
	Periodic reviews are carried out by the internal IS/ IT Auditor and annual security assessments are carried out by external security consultants	91	Complied
<b>G.5</b>	<b>Disclosure on Cybersecurity risk management</b>		
	Please refer IT and Cybersecurity Risk Governance section for disclosures	91	Complied
<b>H.</b>	<b>SUSTAINABILITY: ESG RISK AND OPPORTUNITIES</b>		
<b>H.1.1</b>	<b>ESG Reporting</b>		
	Company has included ESG initiatives in business and strategic plans and performed. ESG disclosures are made in the Annual Report. Further, the Company is putting efforts to meet commitments towards UN Sustainability Goals	34-38	Complied

## COMPLIANCE SUMMARY

Principle	Best Practices followed by Convenience Foods (Lanka) PLC	Reference	Status
H.2 and H.2.1	<b>Stakeholder Engagement on ESG Matters</b>		
	The Board and KMP actively engage with stakeholders to understand and manage sustainability and ESG risks and opportunities, ensuring the Company recognizes significant stakeholders and material matters	34 - 38	Complied
H.3 - H.4	<b>ESG Governance Framework and Structure</b>		
	Company establishes a governance framework that integrates conformance, performance and sustainability/ESG factors, addressing sustainability through environmental and social governance with an integrated approach to economic, social, health and environmental implications on business strategies and fostering community, customer, employee, supplier and outsourced provider relationships for sustainable growth and corporate social responsibility Please refer Our Focus on Sustainability Section	34 - 38	Complied
H.5	<b>ESG Related Disclosures</b>		
	The annual report includes sustainability-related financial and non-financial disclosures aligned to the IFRS Sustainability Reporting Disclosure Standards. Information on the business impacts of sustainability related risks and opportunities is also included across the annual report to provide sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported	34 - 38	Complied
I.	<b>SPECIAL CONSIDERATIONS FOR LISTED ENTITIES</b>		
	The Company upholds governance policies and oversees the implementation details as per the section 9.2.1 in CSE Listing Rules. Please refer the Company website: <a href="http://www.conveniencefoodslanka.com">www.conveniencefoodslanka.com</a>	125	Complied



# FORTIFYING STANDARDS AND BROADENING HORIZONS

## FINANCIAL STATEMENTS

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Statement of Profit or Loss and Other Comprehensive Income [142](#) | Statement of Financial Position [143](#)

Statement of Changes in Equity [144](#) | Statement of Cash Flows [145](#)

Notes to the Financial Statements [146](#)

# FINANCIAL CALENDAR

## FINANCIAL CALENDAR 2023/24

	Submitted on
1st Quarter Report	28th Jul 2023
2nd Quarter Report	27th Oct 2023
3rd Quarter Report	30th Jan 2024
4th Quarter Report	28th May 2024
Audited Financial Statements	31st July 2024
33rd Annual General Meeting	9th September 2024
Final Dividend Proposed	29th July 2024
Final Dividend Paid	27th September 2023

## FINANCIAL CALENDAR 2024/25

	To be submitted on
1st Quarter Report	On or before 15th August 2024
2nd Quarter Report	On or before 15th November 2024
3rd Quarter Report	On or before 15th February 2025
4th Quarter Report	On or before 31st May 2025
Annual Report 2024/25	On or before 18th August 2025
34th Annual General Meeting	On or before 9th September 2025



# INDEPENDENT AUDITOR'S REPORT



**Building a better  
working world**

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Chartered Accountants  
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## TO THE SHAREHOLDERS OF CONVENIENCE FOODS (LANKA) PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Convenience Foods (Lanka) PLC ("the Company"), which comprise the statement of financial position as at 31 March 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024 and of its financial performance and its 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 Company in accordance with the Code of Ethics for Professional Accountants 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.

#### Other matters

The financial statements of the Company for the year ended 31 March 2023, were audited by another auditor who expressed an unmodified opinion on those statements dated 31 July 2023.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the 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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Revenue</b></p> <p>The Company recognised revenue amounting to Rs. 6,298 Mn in accordance with the Company accounting policies as disclosed in Note 5.</p> <p>Revenue was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>Materiality of revenue recorded by the Company during the year and</li> <li>Inherent risk of manipulation of the timing of revenue recognition to meet specific key performance indicators linked to incentives.</li> </ul>	<p>Our audit procedures to address this area of focus included the following:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of management's key internal controls related to revenue</li> <li>Performed analytical procedures to understand and assess the reasonableness of the reported revenues</li> <li>Evaluated the design and tested the relevant key controls over revenue. Our procedures included testing the general IT control environment and the relevant key IT application controls relating to the most significant IT systems relevant to revenue</li> <li>Tested revenue transactions to sales invoices, dispatch documents and other supporting documents. Our procedures included testing: <ul style="list-style-type: none"> <li>revenue transactions at the year-end to determine whether sales transactions and sales returns have been recorded in the proper period and to the proper accounts;</li> </ul> </li> </ul> <p>We also assessed the adequacy of the related disclosures set out in notes 5 to the financial statements.</p>
<p><b>Carrying value of Inventories</b></p> <p>As at 31 March 2024, the carrying value of inventory amounted to Rs. 885 Mn net of provision for slow moving inventories of Rs. 58 Mn as disclosed in note 15 to the financial statements.</p> <p>Carrying value of inventories was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the materiality of the reported inventory balance which represented 25% of the Group's total assets as of the reporting date; and</li> <li>judgements applied by the management on the condition of inventory due to wastage, spoilages, shelf life of products and slow-moving items as disclosed in note 15 to the financial statements.</li> </ul>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported</li> <li>Tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices</li> <li>Assessed the reasonableness of management judgements applied in determining that the provision for slow moving and obsolete inventories is based on the condition of inventory in relation to wastage, spoilages, shelf life of products and slow moving items</li> </ul> <p>We also evaluated the adequacy of the disclosures in note 15 to the financial statements.</p>

## Other information included in the 2024 Annual Report

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

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

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

## Responsibilities of management and those charged with governance for the financial statements

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement 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 Company's internal controls.
- 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 Company'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 Company 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.

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 relevant ethical

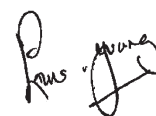
requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



31 July 2024  
Colombo

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31st March		2024	2023
	Note	Rs.	Rs.
Revenue	5	6,298,075,059	8,041,401,062
Cost of Sales		(4,679,625,039)	(6,091,567,450)
Gross Profit		1,618,450,020	1,949,833,612
Administrative Expenses		(327,246,463)	(283,071,127)
Selling and Distribution Expenses		(841,892,775)	(765,466,114)
Other Operating Income	6.1	12,623,838	19,070,169
Other Operating Expenses	6.2	(64,454,921)	-
Results from Operating Activities		397,479,699	920,366,540
Finance Income	7.1	40,342,710	21,835,598
Finance Expenses	7.2	(69,533,778)	(294,758,455)
Net Finance Expense		(29,191,068)	(272,922,857)
Profit Before Tax	8	368,288,631	647,443,683
Income Tax Expense	9	(141,624,421)	(126,938,121)
Profit for the Year		226,664,210	520,505,562
Other Comprehensive Income			
Items that will not be reclassified to Profit or Loss			
Actuarial Gain/(Loss) on Retirement Benefit Obligation	24	(7,850,507)	15,729,693
Tax on Other Comprehensive Income		2,355,152	(4,718,908)
Other Comprehensive Income for the Year		(5,495,355)	11,010,785
Total Comprehensive Income for the Year		221,168,855	531,516,347
Basic and Diluted Earnings Per Share	10	82.42	189.27
Dividend Per Share	11	4.70	3.50

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 146-186.

# STATEMENT OF FINANCIAL POSITION

As at 31st March		2024	2023
	Note	Rs.	Rs.
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	12	609,256,990	619,605,790
Right of Use Assets	13	106,115,513	119,753,786
Intangible Assets	14	5,186,433	6,836,928
<b>Total Non Current Assets</b>		<b>720,558,936</b>	<b>746,196,504</b>
<b>Current Assets</b>			
Inventories	15	885,042,049	2,335,620,191
Trade and Other Receivables	16	846,953,160	1,583,103,929
Amounts due from Related Companies	17	25,641,653	44,397,837
Short Term Investments	18	963,880,860	-
Cash and Cash Equivalents	19	128,788,816	149,301,596
<b>Total Current Assets</b>		<b>2,850,306,538</b>	<b>4,112,423,553</b>
<b>Total Assets</b>		<b>3,570,865,474</b>	<b>4,858,620,057</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated Capital	20	52,521,178	52,521,178
Other Reserves	21	41,613,945	41,613,945
Retained Earnings		2,554,438,559	2,346,194,704
<b>Total Equity</b>		<b>2,648,573,682</b>	<b>2,440,329,827</b>
<b>Liabilities</b>			
<b>Non Current Liabilities</b>			
Deferred Tax Liability	22	9,870,928	15,425,128
Lease Liabilities	23	113,408,973	115,038,544
Retirement Benefit Obligation	24	91,606,581	69,182,846
<b>Total Non Current Liabilities</b>		<b>214,886,482</b>	<b>199,646,518</b>
<b>Current Liabilities</b>			
Trade and Other Payables	25	521,349,190	837,620,587
Lease Liabilities	23	11,756,853	17,217,559
Current Tax Liabilities	26	66,087,731	14,142,822
Amount due to Related Companies	27	108,211,536	132,059,531
Short Term Borrowings	28	-	1,040,000,000
Bank Overdrafts	19	-	177,603,214
<b>Total Current Liabilities</b>		<b>707,405,310</b>	<b>2,218,643,713</b>
<b>Total Liabilities</b>		<b>922,291,792</b>	<b>2,418,290,231</b>
<b>Total Equity and Liabilities</b>		<b>3,570,865,474</b>	<b>4,858,620,057</b>
<b>Net assets value per share</b>		<b>963.12</b>	<b>887.39</b>

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 146-186.


It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



**S.K.I.S. Senarathne**

General Manager - Finance

The Board of Directors is responsible for these financial statements. Approved and signed for and on behalf of the Board;



**D.S. Wickramasingha**

Director



**M. C. Dahanayake**

Managing Director

31 July 2024

Colombo

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Stated Capital Rs.	Other Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2022	52,521,178	41,613,945	1,982,289,617	2,076,424,740
Adjustment for Surcharge Tax Levied under Surcharge Tax act	-	-	(157,986,260)	(157,986,260)
Adjusted balance as at 1st April 2022	52,521,178	41,613,945	1,824,303,357	1,918,438,480
<b>Comprehensive Income for the Year</b>				
Profit for the Year	-	-	520,505,562	520,505,562
Other Comprehensive Income			11,010,785	11,010,785
Total Comprehensive Income for the Year	-	-	531,516,347	531,516,347
<b>Transactions with Owners of Equity</b>				
Dividend to Equity Holders	-	-	(9,625,000)	(9,625,000)
Balance as at 31st March 2023	52,521,178	41,613,945	2,346,194,704	2,440,329,827
Balance as at 1st April 2023	52,521,178	41,613,945	2,346,194,704	2,440,329,827
<b>Comprehensive Income for the Year</b>				
Profit for the Year	-	-	226,664,210	226,664,210
Other Comprehensive Income for the Year	-	-	(5,495,355)	(5,495,355)
Total Comprehensive Income for the Year	52,521,178	41,613,945	2,567,363,559	2,661,498,682
<b>Transactions with Owners of Equity</b>				
Dividend to Equity Holders	-	-	(12,925,000)	(12,925,000)
Balance as at 31st March 2024	52,521,178	41,613,945	2,554,438,559	2,648,573,682

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 146-186.



# STATEMENT OF CASH FLOWS

For the year ended 31st March		2024	2023
	Note	Rs.	Rs.
<b>Cash Flows from Operating Activities</b>			
Profit Before Tax		368,288,631	647,443,683
<b>Adjustments for:</b>			
Depreciation of Property, Plant and Equipment	12	93,194,319	82,260,768
Amortization of Intangible Assets	14	1,650,495	1,625,389
Depreciation of Right of use Assets	13	13,638,273	12,277,316
Losses from Disposal of Property, Plant and Equipment	6.2	4,768,806	-
Interest Income	7.1	(40,342,710)	(21,835,598)
Interest Expense	7.2	69,533,778	290,548,739
(Reversal) / Provision for Impairment of Trade Receivables	16.2	(2,525,088)	4,921,476
Provision for Retirement Benefit Obligation	24	21,237,940	17,217,461
<b>Operating Profit before Working Capital Changes</b>		<b>529,444,445</b>	<b>1,034,459,234</b>
<b>Changes in Working Capital</b>			
(Increase) / Decrease in Inventories		1,450,578,143	(1,199,245,985)
(Increase) / Decrease in Trade and Other Receivables		738,675,857	(951,635,296)
(Increase) / Decrease in Amount due from Related Companies		18,756,184	(18,060,133)
Increase / (Decrease) in Amount due to Related Companies		(23,847,995)	101,512,553
Increase / (Decrease) in Trade and Other Payables		(316,271,398)	53,850,773
<b>Cash (Used in) / Generated from Operations</b>		<b>2,397,335,236</b>	<b>(979,118,854)</b>
Gratuity Paid	24	(6,664,712)	(3,193,600)
Interest Paid	7.2	(69,533,778)	(290,548,739)
Income Tax Paid	26	(92,878,560)	(151,332,308)
Surcharge Tax Paid		-	(157,986,260)
<b>Net Cash Flows (Used in) / from Operating Activities</b>		<b>2,228,258,186</b>	<b>(1,582,179,761)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment	12	(87,710,471)	(85,474,614)
Purchase of Intangible Assets	14	-	(634,612)
Sale of Property, Plant and Equipment		96,146	-
Interest Received	7.1	40,342,710	21,835,598
Investment in Subsidiaries		-	20
Withdrawal of / (Investment in) Fixed Deposits		(963,880,860)	418,645,514
<b>Net Cash Flows (Used in) / from Investing Activities</b>		<b>(1,011,152,475)</b>	<b>354,371,905</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of Lease	23	(7,090,277)	(3,963,385)
Proceeds from Borrowings		-	1,040,000,000
Repayment of Borrowings		(1,040,000,000)	-
Dividend Paid	11	(12,925,000)	(9,625,000)
<b>Net Cash Flows (Used in) / from Financing Activities</b>		<b>(1,060,015,277)</b>	<b>1,026,411,615</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>157,090,434</b>	<b>(201,396,241)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>(28,301,618)</b>	<b>173,094,623</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	19	<b>128,788,816</b>	<b>(28,301,618)</b>

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 146-186.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

Convenience Foods (Lanka) PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office of the Company is located at No.555, High Level Road, Makumbura, Pannipitiya and the principal place of business is situated at No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana.

### 1.2 Principal Activities and Nature of Operations

The Company is engaged in the manufacturing and marketing of Textured Vegetable Protein (TVP) and other food products.

### 1.3 Parent Company

The Company's parent undertaking is CBL Investments Limited. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is also CBL Investments Limited, which is incorporated in Sri Lanka.

### 1.4 Date of Authorization for Issue

The Financial Statements of the Company for the year ended 31st March 2024 were authorized for issue under a resolution of the Board of Directors on 31st July 2024.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements which comprise the statement of total 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. 7 of 2007.

### 2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

### 2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for:

- Financial instruments reflected as fair value through profit or loss which are measured at fair value
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Financial Statements.

### 2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency and presentation currency. All financial information presented in Sri Lankan Rupees are rounded to the nearest rupee unless otherwise stated.

### 2.5 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year. The presentation and classification of the Financial Statements of the previous year have been amended, where relevant, for

better presentation and to be comparable with those of the current period for the better presentation of financial information. The management has reasonable evidence that such presentation would be more relevant for the understanding of the entity's financial performance and financial position.

### 2.6 Materiality and Aggregation

In compliance with LKAS 01 on presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately if they are material.

### 2.7 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Those accounting policies presented with each note, have been applied consistently to all periods presented in these Financial Statements unless otherwise is indicated.

### 3.1 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates the transactions were affected.

At each reporting date, monetary items denominated in foreign currencies are translated into local currencies at the rates of exchange prevailing at the reporting date while non-monetary items are reported

at the rates prevailing at the date of the transactions were affected.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the initial transaction and non-monetary items that are translated using the exchange that existed when then the values were determined.

The exchange difference arising on the translations are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

## 3.2 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 3.2.1 Financial Assets

#### Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through Other Comprehensive Income (OCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the Solely Payment of Principal and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at 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 Company's financial assets include cash and short-term deposits, trade and other receivables.

#### 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 recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

#### Debt Instruments

##### Financial Assets at Amortised Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Company 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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and short term investments.

#### Financial Assets - Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the Company's effective interest rate.

Based on the nature of the sector and the company, the Company is using appropriate and company specific Loss Given Default (LGD) and Probability of Default (PD) when calculating the expected credit loss.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company has established a provision matrix that is based on its

# NOTES TO THE FINANCIAL STATEMENTS

historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 3.2.2 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

### Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial Liabilities at Fair Value Through Profit or Loss (FVPL)

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 Company 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 recognized in the Income statement.

### Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized 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.

## 3.3 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and

it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made towards the amount of the obligations. The expense relating to any provision is presented in profit or loss net of any reimbursement.

## 3.4 Statement of Cash Flows

The statement of cash flows has been prepared using the indirect method, as stipulated in LKAS 7- statement of cash flows. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

## 3.5 Segmental Information

A segment is a distinguishable component engaged in providing services and that is subject to risks and returns that are different to those of other segments. The Company does not have distinguishable components to be identified as a segment as all operations are treated as one segment.

## 3.6 Other Significant Accounting Policies not Disclosed with Individual Notes

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

### 3.6.1 Current versus Non Current Classification

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

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or

- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is considered as current when:

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

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities accordingly.

### 3.7 Changes in Accounting Standards

#### 3.7.1 New and Amended Standards and Interpretations

No significant impact resulted on the financial statements of the Company due to changes in Accounting Standards and disclosures during the year.

#### 3.7.2 New Accounting Standards Issued but not Effective as at the Reporting Date

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

##### 3.7.2.1 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

##### 3.7.2.2 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

##### 3.7.2.3 International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to

disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Company to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company'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 Company based its assumptions and estimates on parameters available when the Financial Statements were prepared.



# NOTES TO THE FINANCIAL STATEMENTS

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

The Company performed impairment testing for non-current assets with the indicators of impairment in accordance with the accounting policies stated in Note 12 Property, Plant and Equipment, Note 13 Right of Use Assets and Note 14 Intangible Assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash generating units are the higher of asset's fair value less costs of disposals and value in use. These calculations require the use of estimates, assumptions and judgements. The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

The company reviewed its debtors to identify those at risk of default, then conducted impairment testing to assess their financial status and payment history. The company estimated the amounts likely to be uncollectible, resulting in a total impairment amount of 7,223,528.

## 4.1 Income Tax and Deferred Tax Assets / Liabilities

The Company recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters could be different from the amounts that were initially recorded, such differences will impact the net profit in the period in which the determination is made.

Deferred tax assets are recognised for all deductible temporary differences and tax credits to the extent it is probable that taxable profits will be available against which these losses/credits can be utilized. Management judgements are required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

## 4.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the present macro-economic conditions, the circumstances of the external environment, or are inconsistent with historical trends. Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and the management do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

## 4.3 Loss Allowance on Financial Assets

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company makes impairment for receivables as per SLFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

In assessing collective impairment, the Company uses historical information on the probability of default, the timing of

recoveries and the amount of loss incurred and makes an adjustment if current and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

## 4.4 Defined Benefit Plans

The cost of defined benefit plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.



## 5 REVENUE FROM CONTRACTS WITH CUSTOMERS

### Accounting Policy

Revenue principally comprises, sales of products to customers. Revenue is measured at the fair value of the consideration received or receivable and excludes taxes collected on behalf of third parties, rebates, discounts and certain marketing expenses which are not distinctive from sales.

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 Company expects to be entitled in exchange for those goods.

#### 5.1 Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Under the Company's standard practice, customers have a right to return damaged and/or expired goods. At the time of return, adjustment to revenue is recognised in the financial statements with a corresponding adjustment against trade receivables.

#### 5.2 Disaggregation of Revenue

For the year ended 31st March	2024 Rs.	2023 Rs.
The Company present disaggregated revenue based on local / export customers		
Local Sales	6,162,469,511	7,911,730,375
Export Sales	135,605,548	129,670,687
	6,298,075,059	8,041,401,062
Manufacturing	5,839,851,106	7,717,240,395
Trading	458,223,953	324,160,667
	6,298,075,059	8,041,401,062

The Company generates revenue primarily from the sale of product lines of soyameat, spices, snacks and cereal etc.

### 5.3 Contract Balances

#### 5.3.1 Contract Assets

Contract assets are the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer, with rights that are conditional 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.

#### 5.3.2 Contract Liabilities

Contract liabilities are the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties and loyalty points not yet redeemed.

There are no contract asset or contract liabilities to be recognised as at 31st March 2024.

# NOTES TO THE FINANCIAL STATEMENTS

## 6 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSE

### 6.1 Other Operating Income

#### Accounting Policy

##### 6.1.1 Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amount of property plant & equipment and are recognized in profit or loss.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a Company of similar transactions, which are not material are aggregated, reported and presented on a net basis.

##### 6.1.2 Other Income

Other income is recognised on an accrual basis.

For the year ended 31st March	2024	2023
	Rs.	Rs.
Net Scrap Sales Income	11,765,621	11,186,387
Sundry Income	26,415	1,236,078
Exchange Gain	831,802	6,647,704
	12,623,838	19,070,169

### 6.2 Other Operating Expenses

For the year ended 31st March	2024	2023
	Rs.	Rs.
Market Returns	59,686,114	-
Loss on Disposal of Property, Plant and equipment and Intangible Assets	4,768,807	-
	64,454,921	-

## 7 FINANCE INCOME / EXPENSE

### Accounting Policy

#### 7.1 Finance Income

Finance income comprises of interest income on funds invested dividend income, gains on the disposal of fair value through OCI financial assets, fair value gains on financial assets at fair value through profit or loss.

Interest income is recorded as it accrues using the EIR, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

#### 7.2 Finance Expense

Finance expenses comprise interest expense on borrowings, losses on disposal of fair value through OCI financial assets, 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 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.

For the year ended 31st March	2024 Rs.	2023 Rs.
<b>Net Finance Expense</b>		
<b>Finance Income</b>		
Interest income	38,450,718	19,636,643
Return cheque interest	1,891,992	2,198,955
<b>Total finance income</b>	<b>40,342,710</b>	<b>21,835,598</b>
<b>Finance Expenses</b>		
Interest expense on borrowings	59,187,431	284,558,933
Finance charge on lease liabilities	10,346,347	10,199,522
<b>Total finance expenses</b>	<b>69,533,778</b>	<b>294,758,455</b>
<b>Net finance expense</b>	<b>(29,191,068)</b>	<b>(272,922,857)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 8 PROFIT BEFORE TAX

### 8.1 Expenditure Recognition

#### Accounting Policy

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 “Expenses by nature” method has been adopted, on the basis that it presents fairly the elements of the Company’s performance.

Profit before tax is stated after charging all expenses including the following:

For the year ended 31st March	2024	2023
	Rs.	Rs.
Raw and Packing Materials	4,016,475,369	5,371,289,407
Employee Related Costs	596,754,573	577,512,009
Contributions to Employees' Provident Fund	33,844,247	28,729,353
Contributions to Employees' Trust Fund	8,388,385	7,134,137
Defined Benefit Plan Cost	21,237,940	17,217,462
Staff Welfare	46,180,495	75,444,334
Directors Remuneration	51,344,425	40,559,325
Depreciation of Property, Plant and Equipment	93,194,319	82,260,768
Amortisation of Intangible Assets	1,650,495	1,625,389
Depreciation of Right of Use Assets	13,638,273	12,277,316
Auditors' Remuneration		
Audit Services	1,022,000	920,000
Non Audit Services	399,221	533,856
Investment in Research and Development	2,294,620	935,353
Investment in Training and Development	7,566,738	4,085,657
(Reversal) / Charge of Impairment for Trade Receivables	(2,525,088)	4,921,476
(Reversal) / Charge of Impairment for Obsolete Inventories	1,565,363	54,104,265
Donations	5,414,733	569,895

## 9 TAXES

### 9.1 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The Company has determined that interest and penalties related to income taxes, including uncertainties tax treatments, do not meet definition of income taxes and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### 9.1.1 Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgement on the application of tax laws including transfer pricing regulations involving estimation of the respective arm's length prices and selection of appropriate pricing mechanisms.

#### 9.1.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting period date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognised for all deductible differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Un-recognised deferred tax assets are re-assessed at each statement of financial position date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

## NOTES TO THE FINANCIAL STATEMENTS

### 9.1.3 Sales Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

For the year ended 31st March	2024	2023
	Rs.	Rs.
Income tax for the year (Note 9.2)	114,935,161	145,663,519
(Over) / Under provision of previous year's income taxes	29,888,308	(12,262,856)
Deferred tax recognised during the year (Note 22.1)	(3,199,048)	(6,462,542)
	141,624,421	126,938,121

### 9.2 Reconciliation Between Accounting Profit and Taxable Income

For the year ended 31st March	2024	2023
	Rs.	Rs.
Accounting Profit Before Tax	368,288,631	647,443,683
Disallowable Expenses	153,720,328	134,379,571
Allowable Deductions	(150,683,793)	(131,515,426)
Investment Income	(40,342,710)	(40,242,725)
<b>Business Income</b>	<b>330,982,456</b>	<b>610,065,103</b>
Investment Income	40,342,710	40,242,725
Other Income	11,792,036	-
<b>Total Taxable Income</b>	<b>383,117,202</b>	<b>650,307,828</b>
Taxable Income at 18%	-	399,710,443
Taxable Income at 24%	-	24,392,934
Taxable Income at 30%	383,117,202	226,204,451
	383,117,202	650,307,828
<b>Income Tax</b>		
Tax at 18%	-	71,947,880
Tax at 24%	-	5,854,304
Tax at 30%	114,935,161	67,861,335
<b>Income Tax for the Year</b>	<b>114,935,161</b>	<b>145,663,519</b>

#### Applicable Rates of Income Tax

The tax liability of the company is computed at the standard rate of 30% effective from 1st October 2022.



### 9.3 Reconciliation Between Current Tax Expense and the Product of Accounting Profit

For the year ended 31st March	2024	2023
	Rs.	Rs.
Adjusted Accounting Profit Chargeable to Income Taxes	368,288,631	647,443,683
Tax effect on Chargeable Profits	98,383,776	145,260,925
Tax effect on non Deductible Expenses	46,116,098	32,958,326
Tax effect on Deductions Claimed	(41,667,527)	(43,164,974)
Tax effect on Investment Income	12,102,813	10,609,241
Tax Expense	114,935,161	145,663,519

## 10 BASIC AND DILUTED EARNINGS PER SHARE

### Accounting Policy

The Company presents Basic Earnings Per Share (EPS) based on profit or loss attributable to the ordinary shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders 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.

There were no potentially diluted shares outstanding at any time during the year. Therefore, The Diluted Earnings Per Share are equal to the Basic Earnings Per Share.

For the year ended 31st March	2024	2023
	Rs.	Rs.
Profit for the Year Attributable to Ordinary Shareholders (Rs.)	226,664,210	520,505,562
Weighted Average Number of Ordinary Shares	2,750,000	2,750,000
Basic / Diluted Earnings per Share (Rs.)	82.42	189.27

# NOTES TO THE FINANCIAL STATEMENTS

## 11 DIVIDEND PER SHARE

For the year ended 31st March	2024	2023
	Rs.	Rs.
First and Final Dividend (Rs.)	12,925,000	9,625,000
Number of Ordinary Shares	2,750,000	2,750,000
Dividend per Share (Rs.)	4.70	3.50

## 12 PROPERTY, PLANT AND EQUIPMENT

### Accounting Policy

The Company applies the requirements of LKAS 16 on “Property, Plant and Equipment” in accounting for its owned assets which are held for and use in the provision of the service or for administration purpose and are expected to be used more than one year.

### Basis of Recognition

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 - Property, Plant and Equipment.

### Basis of Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

The 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.

### Derecognition

An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement under other income in the year the asset is derecognised.

### Useful Lifetime of the Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

## Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives.

The rates of depreciation are based on the estimated useful lives indicated below:

Asset	Years
Buildings	25
Machinery	8
Tools and equipment	6-7
Motor vehicles	4
Furniture and fittings	5
Electrical installations	6-7
Office equipment	6-7
Computers	4
Point of sale equipment	2

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end with the effect of any changes in such estimates accounted for prospectively.

## Impairment of Property, Plant and Equipment

The Company 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 Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

# NOTES TO THE FINANCIAL STATEMENTS

## Property, Plant and Equipment

As at 31st March	Buildings	Machinery	Furniture, Fittings & Office Equipment	Motor Vehicles	Installation, Tools & Equipment	Point of Sale Equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>							
Balance as at 1st April 2022	365,580,775	496,503,616	67,610,693	53,749,776	39,378,545	10,559,955	1,033,383,360
Additions during the year	13,190,224	42,202,091	2,265,050	-	6,852,249	20,965,000	85,474,614
Disposals during the year	-	-	-	-	-	-	-
Balance as at 31st March 2023	378,770,999	538,705,707	69,875,743	53,749,776	46,230,794	31,524,955	1,118,857,974
Balance as at 1st April 2023	378,770,999	538,705,707	69,875,743	53,749,776	46,230,794	31,524,955	1,118,857,974
Additions during the year	44,907,576	23,027,428	8,231,067	-	1,263,436	10,280,961	87,710,468
Disposals during the year	(11,517,006)	(10,035,980)	(5,223,381)	-	(5,154,827)	-	(31,931,194)
Balance as at 31st March 2024	412,161,569	551,697,155	72,883,430	53,749,776	42,339,403	41,805,916	1,174,637,248
<b>Accumulated Depreciation</b>							
Balance as at 1st April 2022	102,577,778	186,265,892	43,035,865	47,373,780	30,234,328	7,503,772	416,991,415
Charge for the year	14,250,501	47,478,813	8,012,892	4,639,813	2,467,859	5,410,890	82,260,768
Disposals during the year	-	-	-	-	-	-	-
Balance as at 31st March 2023	116,828,279	233,744,705	51,048,757	52,013,593	32,702,187	12,914,662	499,252,183
Balance as at 1st April 2023	116,828,279	233,744,705	51,048,757	52,013,593	32,702,187	12,914,662	499,252,183
Charge for the year	15,156,493	50,396,315	7,721,319	1,183,771	3,068,063	15,668,358	93,194,319
Disposals during the year	(6,740,804)	(10,035,980)	(5,134,631)	-	(5,154,828)	-	(27,066,242)
Balance as at 31st March 2024	125,243,968	274,105,040	53,635,445	53,197,364	30,615,422	28,583,020	565,380,260
<b>Carrying Value</b>							
As at 31st March 2024	286,917,601	277,592,115	19,247,985	552,412	11,723,981	13,222,896	609,256,990
As at 31st March 2023	261,942,720	304,961,002	18,826,986	1,736,183	13,528,607	18,610,293	619,605,790

**12.1** Cost of Property, Plant and Equipment amounting to Rs. 281,716,608 (2022/2023 - Rs. 263,178,159), which were fully depreciated are still in use as at the end of the reporting date.

The Property, Plant Equipment are recognized and measured in accordance to LKAS 16.

According to LKAS 16, the carrying amount of Property, Plant and Equipment needs to be reported only at the beginning and at the end of the reporting period.

**12.2** There are no restrictions that existed on the title of the Property, Plant and Equipment of the Company as at the reporting date.

**12.3** During the financial year, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs. 87.7 Mn (2022/2023 - Rs. 85.5 Mn) .

**12.4** During the reporting period, there were no capitalised borrowing costs related to the acquisition of Property, Plant and Equipment.

**12.5** There were no contractual commitment for acquisition of Property, Plant and Equipment as at the reporting date.

**12.6** There were no temporarily idle Property, Plant and Equipment as at the reporting date.

### 13 RIGHT OF USE ASSETS

#### Accounting Policy

The Company recognises a right-of-use asset and a lease liability at the lease commencement date (The date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

#### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Information about leases for which the Company is a lessee is presented below.

Following mentioned the carrying amounts of the Company's right of use assets and the movements for the year ended 31st March 2024.

As at 31st March	Land Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Rs.
<b>Cost</b>				
Balance as at 1st April 2022	6,580,075	19,104,281	110,207,724	135,892,080
Additions during the year	-	15,705,774	-	15,705,774
Disposals during the year	-	-	-	-
Balance as at 31st March 2023	6,580,075	34,810,055	110,207,724	151,597,854
Balance as at 1st April 2023	6,580,075	34,810,055	110,207,724	151,597,854
Additions during the year	-	-	-	-
Disposals during the year	-	(12,566,834)	-	(12,566,834)
Balance as at 31st March 2024	6,580,075	22,243,221	110,207,724	139,031,020
<b>Accumulated Depreciation</b>				
Balance as at 1st April 2022	1,778,093	13,380,349	4,408,310	19,566,752
Charge during the year	69,588	7,799,420	4,408,308	12,277,316
Disposals during the year	-	-	-	-
Balance as at 31st March 2023	1,847,681	21,179,769	8,816,618	31,844,068
Balance as at 1st April 2023	1,847,681	21,179,769	8,816,618	31,844,068
Charge during the year	69,588	9,160,376	4,408,309	13,638,273
Disposals during the year	-	(12,566,834)	-	(12,566,834)
Balance as at 31st March 2024	1,917,269	17,773,311	13,224,927	32,915,507
<b>Carrying Value</b>				
As at 31st March 2024	4,662,806	4,469,910	96,982,797	106,115,513
As at 31st March 2023	4,732,394	13,630,286	101,391,106	119,753,786

## NOTES TO THE FINANCIAL STATEMENTS

**13.1** The details of the leasehold land is as follows:

Property	Lease period	Lessor	Extent	Number of Buildings
No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana.	99 Years commencing from 23 March 1994	Urban Development Authority	2A- 2R- 5.50P	2

**13.2** This land which has been leased for 99 years of lease term. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

**13.3** During the reporting period the total cash outflow for leases (excluding interest) Rs.7,090,277.

**13.4** There are no sub leases during the reporting period.

### 14 INTANGIBLE ASSETS

#### Accounting Policy

##### Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured.

##### Basis of Measurement

Intangible assets purchased separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

##### Useful Economic Lives and Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

Description	Periods in years
Computer software	10

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash- generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

##### Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. 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 Statement of Profit or Loss when the asset is de-recognised.

##### Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Statement of Profit or Loss as incurred.



### a) Licenses and Computer Software

Licenses and Computer Software are shown at historical cost.

Purchased computer software is stated at cost less accumulated amortization and any accumulated impairment losses. It is amortised over its estimated life of ten years using the straight-line method. If there is any indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization of the asset is revised prospectively to reflect the new expectations.

Licenses have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method, from the effective date of commercialisation of services, subject to impairment, to the end of the assignment period of the license. Licenses are not subjected to revalue.

### b) Research and Development Costs/ Internally Generated Intangible Assets

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised as an intangible asset, when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete and its ability to use or sell the assets,
- how the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

As at 31st March	2024 Rs.	2023 Rs.
<b>Computer Software</b>		
<b>Cost</b>		
Balance as at 1st April	16,905,178	16,270,566
Additions during the year	-	634,612
Balance as at 31st March	16,905,178	16,905,178
<b>Accumulated Amortization</b>		
Balance as at 1st April	10,068,250	8,442,861
Charge for the year	1,650,495	1,625,389
Balance as at 31st March	11,718,745	10,068,250
<b>Carrying Value</b>	<b>5,186,433</b>	<b>6,836,928</b>

The amortization expenditures on intangible assets (Computer Software) with finite life is recognised in the income statement under administration expenses.

# NOTES TO THE FINANCIAL STATEMENTS

## 15 INVENTORIES

### Accounting Policy

Inventories are valued at the lower of cost and Net Realisable Value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Costs incurred in bringing inventories to their present conditions and locations are determined as follows:

Inventory provisions are recognised when the expected net realizable value of inventory is lower than its carrying amount. The provision is determined through periodic reviews and assessments performed by the Company. Professional judgement is required and applied to assess the impact of factors such as wastage, spoilage, inventory damages, product shelf-life, slow-moving items and any compliance requirements affecting the condition of the inventory.

Raw Materials and Consumable	At actual cost on weighted average basis.
Finished Goods	At actual cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
Spares & Accessories	At actual cost on weighted average basis.

As at 31st March	2024	2023
	Rs.	Rs.
Raw Materials and Consumables	601,155,156	1,853,968,177
Finished Goods	136,330,452	255,224,057
Semi - Finished Goods	63,069,122	178,127,258
Spares and Accessories	142,550,591	104,798,608
	943,105,321	2,392,118,100
Provision for Slow Moving and Obsolete Inventories (Note 15.1)	(58,063,272)	(56,497,909)
	885,042,049	2,335,620,191

### 15.1 Provision for Slow Moving and Obsolete Inventories

As at 31st March	2024	2023
	Rs.	Rs.
Balance as at 1st April	56,497,909	2,393,644
Charge during the year	1,565,363	54,104,265
Balance as at 31st March	58,063,272	56,497,909

## 16 Trade and Other Receivables

As at 31st March	2024	2023
	Rs.	Rs.
Trade Receivables	797,757,662	873,682,906
Provision for Impairment of Trade Receivables (Note 16.2)	(7,223,528)	(9,748,616)
	790,534,134	863,934,290

	2024	2023
	Rs.	Rs.
<b>Trade Receivable Age</b>		
<b>Neither Past Due</b>		
0 - 30 Days	578,065,649	658,429,120
31 - 60 Days	121,400,371	113,152,090
61- 90 Days	78,865,506	70,235,831
<b>Past Due</b>		
91 - 120 Days	28,511,895	64,066,467
121 - 150 Days	10,279,630	4,862,084
>151 Days	6,276,264	7,335,151
<b>Gross Carrying Value</b>	823,399,315	918,080,743
<b>Provision for Impairment of Trade Receivables</b>	(7,223,528)	(9,748,616)
<b>Net Carrying Value</b>	816,175,787	908,332,126
<b>Related Parties (Note 17)</b>	25,641,653	44,397,837
<b>Other</b>	797,757,662	873,682,906
<b>Gross Carrying Value</b>	823,399,315	918,080,743
<b>Provision for Impairment of Trade Receivables</b>	(7,223,528)	(9,748,616)
<b>Net Carrying Value</b>	816,175,787	908,332,126

### 16.1 Other Receivables

As at 31st March	2024	2023
	Rs.	Rs.
Staff Loans	4,384,285	7,288,868
Advances	33,184,745	387,341,693
Prepayments	18,849,996	324,539,078
	56,419,026	719,169,639
	846,953,160	1,583,103,929

### 16.2 Provision for Impairment of Trade Receivables

As at 31st March	2024	2023
	Rs.	Rs.
Balance as at 1st April	9,748,616	4,827,140
Charge / (Reversal) during the year	(2,525,088)	4,921,476
Balance as at 31st March	7,223,528	9,748,616

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 21 to 90 days. Charge during the year for expected credit losses on trade receivables was recognised as Rs.7,223,528.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 AMOUNTS DUE FROM RELATED COMPANIES

As at 31st March	2024 Rs.	2023 Rs.
Ceylon Biscuits Limited	4,072,750	1,134,215
CBL Foods International (Private) Limited	-	799,136
Plenty Foods (Private) Limited	9,061,646	27,172,551
SPAR SL (Private) Limited	12,507,257	13,845,006
CBL Export (Private) Limited	-	235,144
CBL Natural Food (Private) Limited	-	1,211,785
	25,641,653	44,397,837

## 18 SHORT TERM INVESTMENTS

Short-term investments are liquid assets or cash, which are being held for a short period of time, in approved local banks.

As at 31st March	2024 Rs.	2023 Rs.
Investment in Fixed Deposits	963,880,860	-
	963,880,860	-

## 19 CASH AND CASH EQUIVALENTS

### Accounting Policy

Cash and cash equivalents include cash in hand and highly liquid financial assets with original maturities within three months or less from the date of acquisition. These are subject to an insignificant risk of changes in fair value and are used by the Company in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31st March	2024 Rs.	2023 Rs.
<b>Favourable Cash &amp; Cash Equivalents Balance</b>		
Cash at Bank	128,638,816	149,151,596
Cash in Hand	150,000	150,000
	128,788,816	149,301,596
<b>Unfavourable Cash &amp; Cash Equivalents Balance</b>		
Bank Overdraft (Book balance with a right of set-off)	-	(177,603,214)
Cash & Cash Equivalents for the purpose of Cash Flows	128,788,816	(28,301,618)

## 20 STATED CAPITAL

### Accounting Policy

Ordinary shares are classified as equity. The equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

As at 31st March	2024 Rs.	2023 Rs.
<b>Issued and fully paid up shares</b>		
2,750,000 number of ordinary shares	52,521,178	52,521,178
	52,521,178	52,521,178

**20.1** The ordinary shares of Convenience Foods (Lanka) PLC are listed at the Colombo Stock Exchange.

**20.2** The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

## 21 OTHER RESERVES

As at 31st March	2024	2023
	Rs.	Rs.
Gain on Disposal of Share Trust	41,613,945	41,613,945
	41,613,945	41,613,945

On 25 February 1992 and 25 June 1993, a total of 168,004 (One Hundred and Sixty Eight Thousand and Four) shares of the Company were purchased at a cost of Rs. 1,386,055 for the Share Trust setup by the Company. During the year ended 31 March 2015, the shares held by the trust were sold and the Company recognised the gain on disposal of shares held by trust. When these shares were disposed of by the Trust, the amount received were recognised as an increase in equity and the resulting surplus from the transaction were transferred to a reserve without recognising any adjustments to the profit or total comprehensive income for the respective year.

## 22 DEFERRED TAX ASSET / LIABILITY

### Accounting Policy

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 the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred income tax 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

As at 31st March	2024	2023
	Rs.	Rs.
Deferred tax asset / (liability) as at 1st April	(15,425,128)	(17,168,762)
Reversed / (Charged) during the year - recognised in Profit or Loss (Note 22.1)	3,199,048	6,462,542
Reversed / (Charged) during the year - recognised in Other Comprehensive Income (Note 22.1)	2,355,152	(4,718,908)
Deferred tax asset / (liability) as at 31st March	(9,870,928)	(15,425,128)

### 22.1 The recognised deferred tax (asset) / liability of the Company is attributable to the following:

As at 31st March	2024		2023	
	Temporary Difference	Tax Effects	Temporary Difference	Tax Effects
	Rs.	Rs.	Rs.	Rs.
On Property, Plant and Equipment	(213,509,595)	(64,052,879)	(204,081,175)	(61,224,352)
On Net Lease Liability	23,713,120	7,113,936	17,234,712	5,170,413
On Inventory Provision	58,063,272	17,418,982	56,497,909	16,949,373
On Trade Receivable Provision	7,223,528	2,167,058	9,748,616	2,924,585
On Retirement Benefit Obligation	91,606,581	27,481,974	69,182,846	20,754,854
	(32,903,094)	(9,870,928)	(51,417,091)	(15,425,128)

As at 31st March	Reflected in		Reflected in		Reflected in	
	Statement of Financial Position		Income Statement		Statement of Comprehensive Income	
	2024	2023	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	(64,052,879)	(61,224,352)	(2,828,526)	(28,377,621)	-	-
Net Lease Liability	7,113,936	5,170,413	1,943,523	3,552,147	-	-
Inventory Provision	17,418,982	16,949,373	469,609	16,518,517	-	-
Trade Receivable Provision	2,167,058	2,924,585	(757,526)	2,055,700	-	-
Retirement Benefit Obligation	27,481,974	20,754,854	4,371,968	12,713,800	2,355,152	(4,718,908)
	(9,870,928)	(15,425,128)	3,199,048	6,462,542	2,355,152	(4,718,908)

According to the Inland Revenue (Amendment) Act No.45 of 2022, deferred taxes of the Company is computed at the rate of 30% (2023 - 30%).



## 23 LEASE LIABILITIES

### Accounting Policy

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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 Company 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 assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

As at 31st March	2024 Rs.	2023 Rs.
Balance as at 1st April	132,256,103	120,513,712
Modification of new leases	-	15,705,776
Interest expense for the year	10,346,347	10,199,522
Payments during the year	(17,436,624)	(14,162,907)
Balance as at 31st March	125,165,826	132,256,103
Amount payable within one year	11,756,853	17,217,559
Amount payable after one year	113,408,973	115,038,544
	125,165,826	132,256,103

### 23.1 Following are the Amounts Recognised in Profit or Loss:

Depreciation charge on right-of-use assets	13,638,273	12,277,316
Interest expense on lease liabilities	10,346,347	10,199,522
Short term leases	26,698,050	29,417,800
Total amount recognised in profit or loss	50,682,670	51,894,638

### 23.2 Maturity Analysis

Less than 1 year	12,133,806	17,436,624
Between 1 - 2 years	6,951,190	12,133,806
Between 2 - 5 years	22,190,400	21,192,790
More than 5 years	229,852,800	237,801,600
	271,128,196	288,564,820

# NOTES TO THE FINANCIAL STATEMENTS

## 24 RETIREMENT BENEFIT OBLIGATION

### Accounting Policy

#### 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.

#### Accounting Judgements, Estimates and Assumptions Employee Benefit Liability - Gratuity

The employee benefit liability of the Company is based on the actuarial valuation carried out by independent actuarial specialists. The actuarial valuations involve in 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 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 retirement benefit obligation liability of the Company.

#### Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss as in the periods during which services are rendered by employees.

#### a) Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Provident Fund.

#### b) Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

#### Defined Benefit Plan – Gratuity

As at 31st March	2024	2023
	Rs.	Rs.
Balance as at 1st April	69,182,846	70,888,677
Current Service Cost	8,785,028	6,584,160
Interest Cost	12,452,912	10,633,302
Actuarial (Gain)/ Loss	7,850,507	(15,729,693)
Payments during the year	(6,664,713)	(3,193,600)
Balance as at 31st March	91,606,581	69,182,846

The amount recognised in the Statement of Profit or Loss and Other Comprehensive Income is as follows:

As at 31st March	2024 Rs.	2023 Rs.
Recognised in Statement of Profit or Loss		
Current Service Cost	8,785,028	6,584,160
Interest Cost	12,452,912	10,633,302
Recognised in Other Comprehensive Income		
- Actuarial (Gain)/ Loss	7,850,507	(15,729,693)
	29,088,447	1,487,769

**24.1** An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2024 by Messrs. Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries. The actuarial valuation involves making assumptions as stated in the notes below.

**24.2 The Assumptions used for this Purpose are as Follows:**

	2024	2023
<b>Principal Assumptions</b>		
Discount Rate	12%	18%
Future Salary Increment Rate	12%	12%
<b>Other Assumptions</b>		
Retirement Age (Years)	60	60
Average Expected Future Services	8.4	9.7

- It is also assumed that the Company will continue in business as a going concern.
- The liability was not externally funded.

**24.3** Assumptions regarding the future mortality are based on A1967/70 Mortality table, issued by the Institute of Actuaries, London, United Kingdom.

**24.4** The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

As at 31st March	2024		2023	
	Rs. -1%	Rs. +1%	Rs. -1%	Rs. +1%
Sensitivity Analysis - Discount rate				
Increase / (Decrease) of Obligation	7,558,314	(6,647,543)	6,371,957	(5,558,350)
Sensitivity Analysis - Salary Increment Rate				
Increase / (Decrease) of Obligation	(7,104,081)	7,955,210	(5,912,129)	6,683,823

## NOTES TO THE FINANCIAL STATEMENTS

### 24.5 Maturity Analysis of the Payments

The following payments are expected on employee benefit plan - gratuity in future years

As at 31st March	2024	2023
	Rs.	Rs.
Within the next 12 months	6,445,573	5,152,512
Between 1 and 2 years	10,888,150	6,977,695
Between 2 and 5 years	19,193,028	11,110,116
Between 5 and 10 years	28,334,726	21,648,275
Beyond 10 years	26,745,104	24,294,248
Total expected payments	91,606,581	69,182,846

## 25 TRADE AND OTHER PAYABLES

### Accounting Policy

Trade payables are the aggregate amount of obligation to pay goods or services, that have been acquired in the ordinary course of business.

As at 31st March	2024	2023
	Rs.	Rs.
Trade Payables	381,712,836	592,017,764
Other Payables	7,170,775	58,884,380
Accrued Expenses	132,465,579	186,718,443
	521,349,190	837,620,587

Trade and other payables are non-interest bearing and expected to be settled within one year or within the normal operating cycle.

## 26 CURRENT TAX LIABILITIES

As at 31st March	2024	2023
	Rs.	Rs.
Balance as at 1st April	14,142,822	32,074,465
(Over) / Under Provision for Prior Year Income Taxes	29,888,309	(12,262,856)
Provision for the period	114,935,161	145,663,519
	158,966,292	165,475,128
<b>Tax credit</b>		
Quarterly Tax Payments	(92,047,414)	(151,332,306)
Withholding Tax Claimed Against Income Tax Liability	(831,145)	-
Balance as at 31st March	66,087,731	14,142,822

## 27 AMOUNTS DUE TO RELATED COMPANIES

As at 31st March	2024	2023
	Rs.	Rs.
CBL Foods International (Private) Limited	6,086,720	14,627,535
Plenty Foods (Private) Limited	3,619,930	13,804,292
CBL Global Foods (Private) Limited	71,573,599	43,621,399
CBL Natural Foods (Private) Limited	-	3,661,481
Ceylon Biscuits Limited	11,951,598	52,244,625
CBL Corporate Services (Private) Limited	13,572,089	4,100,199
Ritzbury Lanka (Private) Limited	1,407,600	-
	108,211,536	132,059,531

## 28 SHORT TERM BORROWINGS

As at 31st March	2024	2023
	Rs.	Rs.
Short Term Borrowings :		
Intercompany	-	590,000,000
Bank	-	450,000,000
Total Short Term Borrowings	-	1,040,000,000

## 29 COMMITMENTS AND CONTINGENT LIABILITIES

### 29.1 Financial Commitments

Commitments on account of Letters of Credit as at 31st March 2024 was Rs. 274,555,318 (31st March 2023: Rs.180,364,438 ); Shipping Guarantees as at 31st March 2024 was Rs.91,264,000 (31st March 2023: Nil).

### 29.2 Capital Commitments

There were no significant capital commitments as at reporting date.

### 29.3 Contingent Liabilities

#### Accounting Policy

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

The contingent liabilities of the Company as at 31 March 2024, relates to the following:

## Income Tax Assessments

The Commissioner General of Inland Revenue (CGIR) has filed a petition in the Supreme Court seeking Special Leave to Appeal against the judgement of the Court of Appeal, for the income tax assessment for the year of assessment 1991/1992, which had been given in favor of the Company. The Supreme Court has granted Special Leave to Appeal to questions of law. The matter was refixed for argument on 08th November 2024. Based on the information currently available the Management is of the view that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the result of the operations, financial position or liquidity of the Company. Accordingly, no provision for any liability has been made in these Financial Statements.

## Lawsuit Filed

A third-party supplier has filed a lawsuit against the company for a shipment of goods under the Indian Credit facility which was rejected by the State Authorities as it failed to comply with the required standards in terms of the Operating Guidelines of Importation of Essential Items under Indian Credit Facility, no payment could be made without Sri Lanka Custom releasing the commodity and sending a recommendation to the Indian Credit Facility Coordinating Unit (ICFCU). The case is set to go to trial, with the final outcome still pending judicial review. Since the legal procedures are still at an initial stage, the management is not able determine the outcome of such legal proceedings with reasonable certainty. Hence, no provisions have been made with respect to the above claim made by the supplier.

## 30 EVENTS AFTER THE REPORTING PERIOD

Other than what is mentioned below, no other circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the Financial Statements.

The Board of Directors of the Company has declared a final dividend of Rs. 4.70 per share for the financial year ended 31 March 2024. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007 and has obtained a certificate from auditors.

In accordance with LKAS 10, Events after the reporting period, the final dividend and related withholding tax had not been recognised as a liability in the financial statements as at 31 March 2024.

## 31 RELATED PARTY DISCLOSURES

### 31.1 Transactions with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Compensation to Key Management personnel are as follows:

As at 31st March	2024	2023
	Rs.	Rs.
Short term employee benefits	120,574,515	90,425,712
Post-employment benefits	10,841,173	8,468,760
	131,415,688	98,894,472

### 31.2 Transactions with Related Companies

#### Terms and Conditions of Transactions with Related Parties

The Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors has been disclosed in the Supplementary Information section of the Annual Report. 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 Transactions Review Committee". Transactions with related parties are carried out in the ordinary course of business.



Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

### 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 financial statements ending March 31, 2024, which require additional disclosures in the 2023/24 annual report under the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act.

### Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the Company's revenue as per financial statements ending March 31, 2024, which require additional disclosures in the 2023/24 annual report under the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act.

No provision has been made in respect of amounts receivable from related parties.

No security has been obtained for related party receivables.

Name of the Company	Relationship	Nature of Transaction	Transaction Value		Balance as at	
					2024	2023
			Rs.		Rs.	Rs.
CBL Investment Limited	Parent Company	Dividend Payment	7,842,093	0.13%	-	-
Ceylon Biscuits Limited	Subsidiary of the parent entity	Sales	25,258,343	0.41%	4,072,750	1,134,215
		Purchase of Raw Materials	7,534,068	0.12%	(10,031,272)	(2,067,146)
		Corporate Services Charges	4,721,886	0.08%	-	-
		IT Recovery Expenses	21,714,352	0.35%	-	-
		Reimbursement of Expenses to the Related Company	36,822,906	0.60%	(1,523,902)	(57,462)
		Short Term Loan Interest	-	-	-	(50,120,017)
		Short Term Loan	-	-	-	(450,000,000)
		Excess Payment to be Paid	-	-	(396,424)	-
Plenty Foods (Private) Limited	Subsidiary of the parent entity	Sales	106,148,702	1.72%	9,061,646	27,172,551
		Purchase of Raw Materials	53,258,649	0.86%	(3,619,930)	(7,801,523)
		Reimbursement of Expenses to the Related Company	3,155,700	0.05%	-	-
		Short Term Loan Interest	7,813,116	0.13%	-	(6,002,769)
		Short Term Loan	-	-	-	(140,000,000)

## NOTES TO THE FINANCIAL STATEMENTS

Name of the Company	Relationship	Nature of Transaction	Transaction Value		Balance as at	
					2024	2023
			Rs.		Rs.	Rs.
CBL Foods International (Private) Limited	Subsidiary of the parent entity	Sales	1,438,040	0.02%	-	799,136
		Purchase of Raw Materials	66,091,855	1.07%	(6,086,720)	(14,627,535)
Ritzbury Lanka (Private) Limited	Subsidiary of the parent entity	Stores Rent Expenses	5,630,400	0.09%	(1,407,600)	-
CBL Natural Foods (Private) Limited	Subsidiary of the parent entity	Sales	-	-	-	1,211,785
		Purchase of Raw Materials	-	-	-	(3,661,481)
CBL Corporate Services (Private) Limited	Subsidiary of the parent entity	Internal Group Services	49,192,563	0.80%	(13,572,089)	(4,100,199)
CBL Global Foods (Private) Limited	Subsidiary of the parent entity	Sales	529,316	0.01%	-	-
		Purchase of Finished Goods	244,177,196	3.96%	(71,573,599)	(43,621,399)
CBL Exports (Private) Limited	Subsidiary of the parent entity	Raw Material Sales	-	-	-	235,144
SPAR SL (Private) Limited	Joint venture of the parent entity	Sales	59,579,004	0.97%	12,507,257	13,845,006

% represent the aggregate transaction value as a percentage of revenue.

### 32 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain reclassifications have been made to the comparative figures to improve the comparability and fair presentation of these financial statements. As a result, following balances have been amended in the statement of profit or loss and other comprehensive income as shown below. These reclassifications have not resulted in changes to the profit for the year or total net assets previously reported as at 31st March 2023.

Company	As previously reported	Adjustment	Reclassified Amount
	Rs.	Rs.	Rs.
<b>Statement of Profit or loss and Other Comprehensive Income</b>			
Cost of sales	6,131,492,233	(39,924,783)	6,091,567,450
Administrative Expenses	243,146,344	39,924,783	283,071,127

(Stock provision presented within cost of sales during the year 2022/23 had been classified under administrative expenses.)

### 33 RISK MANAGEMENT FRAMEWORK, OBJECTIVES AND POLICIES

Risk management of the Company is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of Convenience Foods (Lanka) PLC and its strategic and financial goals. The Company has established a sound risk management framework to identify and mitigate the risk exposure.

Financial instruments held by the Company, principally comprise of cash, trade receivables, trade payables and investments held under amortised cost category. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Company.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company risk management processes / guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company has trade and other receivables and cash and short-term deposits that arise directly from its operations. The Company's principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to manage the Company's operations. The financial risk governance of the Company provides assurance to the management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Company has identified 3 critical types of risk which can affect the Company's operations adversely as Credit risk, Liquidity risk and Market risk.

#### 33.1 Credit Risk

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

##### a) The Maximum Exposure to Credit Risk at Reporting Date

As at 31st March	2024	2023
	Rs.	Rs.
Cash at Bank	128,638,816	149,151,596
Short-term Investments	963,880,860	-
Trade Receivables	790,534,134	863,934,290
Amount due from Related Companies	25,641,653	44,397,837
	1,908,695,463	1,057,483,723

##### b) Management of Credit Risk

- Formulating credit policies encompassing aspects like collateral prerequisites, credit evaluation, risk categorization, reporting, documentary and legal processes and adherence to regulatory and statutory mandates
- Setting up an authorization framework for approving and renewing credit facilities aligned with credit policies
- Restricting concentrations of risk exposure related to counterparties, industries, credit rating bands and market liquidity
- Offering advice, direction and specialized expertise to foster optimal credit risk management practices across the company
- Consistently evaluating and appraising credit risk

## NOTES TO THE FINANCIAL STATEMENTS

### 33.1.1 Credit Risk on Trade Receivables

Trade receivables consist of local and overseas customers. The Company does not have a significant credit risk exposure to any single counterparty or any Company of counterparties. The Company has established policies and procedures to evaluate the clients before approving credit terms. Debtor balance as at 31st March 2024 comprises distributors, direct dealers and modern trade representing 51.6%, 5.5% and 42.9% respectively.

#### 33.1.1.a Risk Response to Credit Risk of Trade Receivables

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

- Review credit worthiness of counterparties and take necessary actions if required
- Management assesses the credit worthiness of receivables to ascertain the suitable allowance for impairment
- Consistently monitoring and follow ups for outstanding receivables balance
- Based on the review of distributors past performance and credit worthiness, the Company has obtained bank guarantees from its distributors

#### 33.1.1.b Trade Receivables at the Reporting Date

	2024		2023	
	Gross balance	Impairment	Gross balance	Impairment
	Rs.	Rs.	Rs.	Rs.
Trade Receivable	797,757,662	(7,223,528)	873,682,906	(9,748,616)
0 days - 360 days	797,757,662	(7,223,528)	871,598,244	(7,663,954)
Over 360 days	-	-	2,084,662	(2,084,662)
	797,757,662	(7,223,528)	873,682,906	(9,748,616)

The Company grants credit approvals to its customers subjected to the internal credit limits which are regularly reviewed and controlled by the Management. The average credit period granted to such debtors are 30 days.

The requirement for impairment is analyzed at each reporting date on an individual basis for all customers.

#### 33.1.1.c Movement in the Loss Allowances

As at 31st March	2024	2023
	Rs.	Rs.
Balance at the beginning of the year	9,748,616	4,827,140
Charge/ (reversal) during the year	(2,525,088)	4,921,476
Balance at the end of the year	7,223,528	9,748,616

### 33.1.2 Credit Risk on Financial Assets

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure that the counterparties fulfill their obligations.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts.

### 33.1.2.1 Risk Response to Credit Risk of Financial Assets

#### Cash and Cash Equivalents

- In order to mitigate settlements and operational risks related to cash and cash equivalents, the Company engages several banks with acceptable ratings for its deposits.

The Company held cash and cash equivalents of Rs. 129Mn. (2023: (Rs. 28 Mn))

Respective credit ratings of banks which company cash balances held are as follows :

Bank	Credit Ratings
Sampath Bank PLC	A (lka)
Nation Trust Bank PLC	A- (lka)
People's Bank	A (lka)
Commercial Bank of Ceylon PLC	A (lka)
Hatton National Bank PLC	A (lka)
State Bank of India	BBB- (lka)
DFCC Bank PLC	A- (lka)
Bank of Ceylon	A (lka)
The National Development Bank PLC	A- (lka)
Standard Chartered Bank	AAA (lka)

#### Short Term Investments

- In order to mitigate settlements and operational risks related to short term investments, the Company engages several banks with acceptable ratings for its deposits.

The Company held short-term investments of Rs. 963.8 Mn (2023: Nil).

Respective credit ratings of banks which company short term investments held are as follows :

Bank	Credit Ratings
Sampath Bank PLC	A (lka)
People's Bank	A (lka)
Hatton National Bank PLC	A (lka)
DFCC Bank PLC	A- (lka)
The National Development Bank PLC	A- (lka)

## NOTES TO THE FINANCIAL STATEMENTS

### 33.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### a) As at 31st March 2024

As at 31st March	Carrying Amount Rs.	0-12 Months Rs.
<b>Financial Liabilities (Non- derivative)</b>		
Trade and Other Payables	521,349,190	521,349,190
Amounts due to Related Companies	108,211,536	108,211,536
	629,560,726	629,560,726

#### As at 31st March 2023

<b>Financial Liabilities (Non - derivative)</b>		
Trade and Other Payables	837,620,587	837,620,587
Amounts due to Related Companies	132,059,531	132,059,531
Short Term Borrowings	1,040,000,000	1,040,000,000
	2,009,680,118	2,009,680,118

#### Lease Liabilities

	2024 Rs.	2023 Rs.
Less than one year	11,756,853	17,217,559
More than one year	113,408,973	115,038,544
	125,165,826	132,256,103

#### b) Management of Liquidity Risk

Below actions taken by management to mitigate liquidity risk

- Maintaining a diversified funding base and appropriate contingency facilities
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position
- Monitoring of duration on fixed income portfolios by the Treasury Team
- Regular reviews cash flow projections
- Availability of stand by overdraft facility to be used in the event of an emergency



### 33.3 Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

#### 33.3.1 Management of Market Risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- All such transactions are carried out within the guidelines set by the risk management policies
- Monitoring market risk on a day-to-day basis

#### 33.3.2 Sensitivity Analysis

The sensitivity analyses in the following sections relate to the position as at 31 March in 2024 and 2023.

- All other variables are remain constant at the time of preparing sensitivity analysis
- The sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks
- This is based on the financial assets and financial liabilities held at 31 March 2024 and 2023
- The sensitivity of the Statement of Financial Position item mainly relates to debt and equity instruments
- 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

#### a) Foreign Currency Risk

The foreign currency risk is the risk that the fair values or future cash flows of a financial instrument fluctuating due to changes in foreign exchange rates. The Company is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR) on its pending letters of credit valued at Rs. 274,555,318 as at 31st March 2024 (2023 - Rs. 180,364,438).

#### Mitigation Strategies

Foreign currency risk mitigation involves strategies and practices to protect against the potential negative impact of fluctuations in exchange rates on a company's financial performance.

- Analyses the market condition of foreign exchange and analyse the utilisation of cash flows
- Regularly review timing of foreign currency cash inflows and outflows and takes decisions on whether to reinvest the foreign cash flows or utilise to make the foreign currency payments

As the Company does not have material foreign currency denominated financial assets and liabilities, there is no impact from foreign currency risk.

#### b) Interest Rate Risks

Interest rate risks mainly arise as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

## The Maximum Exposure to Interest Rate Risk at Reporting Date

The Company has secured over draft and credit facilities with banks, which has a direct impact on the interest expense due to the fluctuation of the interest rates.

Other than the above, the Company does not have any financial instruments on which the realizable/market value will have significant effect by the movements of interest rates as at 31st March 2024.

## Risk Response to Interest Rate Risk

Interest rate risk response involves strategies to manage the impact of fluctuating interest rates on a company's financial performance. This risk affects the cost of borrowing, investment returns and overall financial stability.

- The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner
- A regular track of macroeconomic indicators together with their forecasts
- Regular meetings and monitoring of risks by the Risk Management Committee
- Adhering to limits set on interest rate risk through the risk policy
- The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions

## Sensitivity Analysis

The reasonable change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or loss by the amount shown below.

As at 31 March	2024 Rs.	2023 Rs.
Impact to profit before tax		
100 basis point increase	-	(1,879,178)
100 basis point decrease	-	1,879,178

## c) Commodity Risk

The Company is impacted by the fluctuations in commodity prices. The Management continuously monitor the material prices for market trends and make timely purchasing decisions. Additionally, management may adjust selling prices in accordance with commodity price changes, after careful consideration.

## d) Capital Risk Management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## Risk Response to Capital Management

Risk response to capital management involves strategies to ensure a company maintains sufficient capital to meet its financial obligations and support growth

- The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions
- In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares
- Continuous training provided to the staff of the Company
- Compliance with recommended action plans are supported by periodic reviews undertaken by the audit committee of the Company

## 34 FAIR VALUE MEASUREMENT

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs, either directly - i.e. as prices or indirectly - i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument.

There may be an increase in the amount of subjectivity involved in fair value measurements and as such, a greater use of unobservable inputs will be required because relevant observable inputs are no longer available.

### 34.1 Fair Values versus the Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows;

As at 31st March 2024	Carrying Value Rs.	Fair Value Rs.
<b>Financial Assets not Measured at Fair Value</b>		
Trade and Other Receivables	828,103,164	828,103,164
Amounts due from Related Companies	25,641,653	25,641,653
Cash and Cash Equivalents	128,788,816	128,788,816
	982,533,634	982,533,634
<b>Financial Liabilities not Measured at Fair Value</b>		
Trade and Other Payables	521,349,190	521,349,190
Lease Liabilities	125,165,826	125,165,826
Amounts due to Related Companies	108,211,536	108,211,536
	754,726,552	754,726,552

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2023	Carrying Value Rs.	Fair Value Rs.
<b>Financial Assets not measured at fair value</b>		
Trade and Other Receivables	1,258,564,851	1,258,564,851
Amounts due from Related Companies	44,397,837	44,397,837
Cash and Cash Equivalents	149,301,596	149,301,596
	1,452,264,284	1,452,264,284
<b>Financial Liabilities not measured at fair value</b>		
Trade and Other Payables	837,620,587	837,620,587
Lease Liabilities	132,256,103	132,256,103
Amounts due to Related Companies	132,059,531	132,059,531
Short Term Borrowings	1,040,000,000	1,040,000,000
	2,141,936,221	2,141,936,221

### 34.2 Financial Assets and Liabilities by Fair Value Hierarchy

The following table sets out the fair values of financial instruments not carried at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

As at 31st March 2024	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
<b>Financial Assets</b>			
Trade and Other Receivables	-	-	828,103,164
Amounts due from Related Companies	-	-	25,641,653
Cash and Cash Equivalents	-	128,788,816	-
	-	128,788,816	853,744,817
<b>Financial Liabilities</b>			
Trade and Other Payables	-	-	521,349,190
Lease Liabilities	-	-	125,165,826
Amounts due to Related Companies	-	-	108,211,536
	-	-	754,726,552

As at 31st March 2023	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.
<b>Financial Assets</b>			
Trade and Other Receivables	-	-	1,258,564,851
Amounts due from Related Companies	-	-	44,397,837
Cash and Cash Equivalents	-	149,301,596	-
	-	149,301,596	1,302,962,688
<b>Financial Liabilities</b>			
Trade and Other Payables	-	-	837,620,587
Lease Liabilities	-	-	132,256,103
Amounts due to Related Companies	-	-	132,059,531
Short Term Borrowings	-	-	1,040,000,000
	-	-	2,141,936,221

### 34.3 Analysis of Financial Instruments by Measurement Basis

#### Financial Assets and Liabilities by Categories in Accordance with SLFRS 9

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

As at 31st March 2024	Carrying Amount				
	FVTPL	FVTOCI - Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at amortised Cost	Other Financial Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial Assets not Measured at Fair Value</b>					
Trade and Other Receivables	-	-	-	828,103,164	-
Amounts due from Related Companies	-	-	-	25,641,653	-
Cash and Cash Equivalents	-	-	-	128,788,816	-
	-	-	-	982,533,634	-
<b>Financial Liabilities not Measured at Fair Value</b>					
Trade and Other Payables	-	-	-	-	521,349,190
Lease Liabilities	-	-	-	-	125,165,826
Amounts due to Related Companies	-	-	-	-	108,211,536
	-	-	-	-	754,726,552

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2023	Carrying Amount				
	FVTPL	FVTOCI - Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at amortised Cost	Other Financial Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial Assets not Measured at Fair Value</b>					
Trade and Other Receivables	-	-	-	1,258,564,851	-
Amounts due from Related Companies	-	-	-	44,397,837	-
Cash and Cash Equivalents	-	-	-	149,301,596	-
	-	-	-	1,452,264,284	-
<b>Financial Liabilities not Measured at Fair Value</b>					
Trade and Other Payables	-	-	-	-	837,620,587
Lease Liabilities	-	-	-	-	132,256,103
Amounts due to Related Companies	-	-	-	-	132,059,531
Short Term Borrowings	-	-	-	-	1,040,000,000
	-	-	-	-	2,141,936,221



## DECADE AT A GLANCE

As at 31st March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Rs.							Restated	Restated	Restated	
<b>OPERATING RESULTS</b>										
Revenue	6,298,075,059	8,041,401,062	4,872,432,361	3,207,282,244	2,430,828,555	1,996,718,507	1,915,822,410	1,546,475,941	1,655,253,143	1,742,502,671
Results from operating activities	397,479,699	920,366,540	459,956,167	575,972,199	251,901,184	111,777,023	208,690,560	107,296,940	134,186,578	220,252,852
Finance income	40,342,710	21,835,598	40,957,256	62,158,719	65,956,787	58,659,794	48,963,876	32,916,502	18,966,947	6,811,198
Finance expenses	(69,533,778)	(294,758,455)	(11,679,300)	(5,183,148)	(1,850,860)	(376,329)	(327,338)	(1,943,100)	(3,110,807)	(5,045,496)
Profit before tax	368,288,631	647,443,683	489,234,123	632,947,770	316,007,112	170,060,488	257,327,098	138,270,342	150,042,718	222,018,555
Income tax expense	141,624,421	(126,938,121)	(103,644,723)	(117,042,986)	(86,567,859)	(51,456,080)	(86,944,533)	(51,155,944)	(54,307,886)	(57,096,337)
Profit for the year	226,664,210	520,505,562	385,589,400	515,904,784	229,439,253	118,604,408	170,382,565	87,114,398	95,734,832	164,922,218
<b>CAPITAL EMPLOYED</b>										
Stated capital	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178
Other reserves	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945
Retained earnings	2,554,438,559	2,346,194,704	1,982,289,617	1,619,437,686	1,128,133,392	914,237,232	803,179,294	648,537,092	567,509,045	522,268,688
Total equity	2,648,573,682	2,440,329,827	2,076,424,740	1,713,572,809	1,222,268,515	1,008,372,355	897,314,417	742,672,216	661,644,168	574,789,865
<b>ASSETS EMPLOYED</b>										
Property, plant and equipment	609,256,990	619,605,790	616,391,944	494,613,301	254,853,934	218,824,003	253,135,171	270,843,939	291,042,879	274,349,842
Other non current assets	111,301,946	126,590,714	124,153,052	46,714,523	21,048,672	13,474,732	14,156,862	14,071,315	14,762,271	6,402,128
Current assets	2,850,306,538	4,112,423,553	2,417,873,267	1,984,093,130	1,460,037,530	1,132,514,527	981,225,269	683,010,492	633,502,296	622,889,404
Liabilities net of debt	(922,291,792)	(2,418,290,231)	(1,081,993,523)	(811,848,145)	(513,671,621)	(356,440,907)	(351,202,885)	(225,253,530)	(277,663,278)	(328,851,509)
	2,648,573,682	2,440,329,827	2,076,424,740	1,713,572,809	1,222,268,515	1,008,372,355	897,314,417	742,672,216	661,644,168	574,789,865
<b>CASH FLOWS</b>										
Net cash inflow/(outflow)										
From operating activities	2,228,258,186	(1,582,179,761)	(216,320,396)	514,503,549	117,859,721	39,560,737	170,433,471	68,511,746	122,143,831	214,636,033
From investing activities	(1,011,152,475)	354,371,905	379,784,639	(527,227,302)	(16,413,817)	(69,676,792)	(145,882,592)	9,592,592	(96,010,570)	(212,987,637)
From financing activities	(1,060,015,277)	1,026,411,615	(30,689,045)	(20,199,724)	(15,643,568)	(13,864,107)	(11,026,170)	(31,543,523)	(35,400,034)	12,363,518
Increase/(decrease) in cash and cash equivalents	157,090,434	(201,396,241)	132,775,198	(32,923,477)	85,802,336	(43,980,162)	13,524,709	46,560,815	(9,266,773)	14,011,914
<b>KEY INDICATORS</b>										
Revenue growth (%)	(21.68)	65.04	51.92	31.94	21.74	4.22	23.88	(6.57)	(5.01)	29.67
EPS (Rs.)	82.42	189.27	140.21	187.6	83.43	43.13	61.96	31.68	34.81	59.97
DPS (Rs.)	4.7	3.5	10.0	5.5	4.5	5.0	4.0	4.0	5.5	3.0
NAPS (Rs.)	963.12	887.39	755.06	623.12	444.46	366.68	326.30	270.06	240.60	209.01
MPS (Closed) (Rs.)	920	1,208	1,182	1,245	337	400	430	310	365	326
ROE (%)	8.56	21.33	18.57	30.11	18.77	11.76	18.99	11.73	14.47	28.69
ROCE (%)	16.53	27.07	24.12	34.67	24.43	15.79	26.56	17.43	21.14	35.50
PE (Times)	11.16	6.38	8.43	6.64	4.04	9.27	6.94	9.79	10.40	5.43
Interest cover (Times)	5.30	2.20	39.43	111.12	136.10	297.02	637.54	55.22	43.14	43.65
Dividend payout (%)	5.70	1.85	7.13	2.93	5.39	11.59	6.46	12.63	15.8	5.0
Current ratio (Times)	4.03	1.85	2.74	2.90	3.36	3.97	3.52	4.17	2.95	2.36

# SHAREHOLDER AND INVESTOR INFORMATION

## 1 - DISTRIBUTION OF TOTAL NUMBER OF SHAREHOLDERS AND PERCENTAGE OF HOLDING

No of Shares		As at 31st March 2024			As at 31st March 2023		
From	To	Number of Shareholders	Number of Shares	Holding %	Number of Shareholders	Number of Shares	Holding %
1	1,000	1,580	123,580	4.49	1,524	122,001	4.44
1,001	10,000	34	115,651	4.21	35	122,544	4.46
10,001	100,000	6	113,792	4.14	5	70,612	2.57
100,001	1,000,000	2	434,000	15.78	2	471,866	17.16
Over 1,000,000		1	1,962,977	71.38	1	1,962,977	71.38
		1,623	2,750,000	100.00	1,567	2,750,000	100.00

## 2 - DISTRIBUTION OF NUMBER OF HOLDERS AND PERCENTAGE OF HOLDING BASED ON RESIDENCY

No of Shares		Non Resident			Resident		
From	To	Number of Shareholders	Number of Shares	Holding %	Number of Shareholders	Number of Shares	Holding %
1	1,000	5	752	0.03	1,575	122,828	4.46
1,001	10,000	2	8,862	0.32	32	106,789	3.89
10,001	100,000	0	0	-	6	113,792	4.14
100,001	1,000,000	0	0	-	2	434,000	15.78
Over 1,000,000		0	0	-	1	1,962,977	71.38
		7	9,614	0.35	1,616	2,740,386	99.65

## 3 - COMPOSITION OF SHAREHOLDERS BASED ON RESIDENCY

Composition	As at 31st March 2024			As at 31st March 2023		
	Number of Shareholders	Number of Shares	Holding %	Number of Shareholders	Number of Shares	Holding %
Resident	1,616	2,740,386	99.65	1,559	2,740,262	99.65
Non Resident	7	9,614	0.35	8	9,738	0.35
	1,623	2,750,000	100.00	1,567	2,750,000	100.00

## 4 - COMPOSITION OF SHAREHOLDERS BASED ON CATEGORY

Composition	As at 31st March 2024			As at 31st March 2023		
	Number of Shareholders	Number of Shares	Holding %	Number of Shareholders	Number of Shares	Holding %
Individual	1,565	279,125	10.15	1,515	277,194	10.08
Institutional	58	2,470,875	89.85	52	2,472,806	89.92
	1,623	2,750,000	100.00	1,567	2,750,000	100.00

## 5 - SHARE TRADING INFORMATION

Description	As at 31.03.2024	As at 31.03.2023
Highest during the year	Rs. 1,299.75 (24-04-2023)	Rs. 1,485.00 (01-12-2022)
Lowest during the year	Rs. 855.00 (01-03-2024)	Rs. 888.00 (25-04-2022)
As at end of the year	Rs. 920.00	Rs. 1,208.00
Trade Volume	1,042	960
Share Volume	9,182	26,580
Turnover	Rs. 9,140,753.50	Rs. 32,296,838.25

## 6 - PUBLIC SHAREHOLDING

Composition	As at 31st March 2024			As at 31st March 2023		
	Number of Shareholders	Number of Shares	Holding %	Number of Shareholders	Number of Shares	Holding %
Public shareholding	1,622	787,023	28.62	1,566	787,023	28.62

## 7 - FLOAT ADJUSTED MARKET CAPITALIZATION

	As at 31st March 2024	As at 31st March 2023
Float Adjusted Market Capitalization	724,061,160	950,723,784

## 8 - DIRECTORS' SHAREHOLDING

Composition	As at 31 March 2024		As at 31 March 2023	
	No of shares	% of Total Holding	No of shares	% of Total Holding
Mr. R.S.A. Wickramasingha	Nil	Nil	Nil	Nil
Ms. D.S. Wickramasingha	Nil	Nil	Nil	Nil
Mr. L.J.M. De Silva	Nil	Nil	Nil	Nil
Mr. E. T. De Zoysa (up to 31 December 2023)	Nil	Nil	Nil	Nil
Ms. N.K. Wickramasingha	Nil	Nil	Nil	Nil
Mr. M. S. Nanayakkara (up to 31 Mar 2024)	Nil	Nil	Nil	Nil
Dr. D. M. A. Kulasoorya (up to 31 Mar 2024)	Nil	Nil	Nil	Nil
Mr. M. U. S. G. Thilakawardana (up to 31 Mar 2024)	Nil	Nil	Nil	Nil
Mr. M. C. Dahanayake (from 01 Jan 2024)	Nil	Nil	N/A	N/A
Mr. M.E. Wickremesinghe (from 31 March 2024)	Nil	Nil	N/A	N/A
Ms. S.T. Ratwatte (from 31 March 2024)	Nil	Nil	N/A	N/A
Mr. I.S. Fonseka (from 31 March 2024)	Nil	Nil	N/A	N/A

# SHAREHOLDER AND INVESTOR INFORMATION

## 9 - TWENTY FIVE LARGEST SHAREHOLDERS

	Name	As At 31st March 2024	
		No of Shares	% of Holding
1	CBL INVESTMENTS LIMITED	1,962,977	71.38%
2	HATTON NATIONAL BANK PLC/DAWI INVESTMENT TRUST (PVT) LTD	225,562	8.20%
3	J.B. COCOSHELL (PVT) LTD	208,438	7.58%
4	DAWI INVESTMENT TRUST (PVT) LTD	42,757	1.55%
5	MR A.M.D.E.S. JAYARATNE	18,570	0.69%
6	MR S.R.S. DE SARAM & MRS S.T.T. JAYASUNDERA	15,000	0.55%
7	MR K.C. VIGNARAJAH	14,730	0.54%
8	COCOSHELL ACTIVATED CARBON COMPANY (PVT) LTD	12,526	0.46%
9	MR U.I. SURIYABANDARA	10,209	0.38%
10	MR G.W. AMARATUNGA	8,677	0.32%
11	MR L.H.S. PEIRIS	8,499	0.31%
12	MR E.D.K. WEERASURIYA & MR S. WEERASURIYA	8,169	0.30%
13	MR R.J.S. JAYAMAHA	7,000	0.26%
14	MR Z.G. CARIMJEE	6,867	0.25%
15	DFCC BANK PLC/MR.P.PRANAVAN	6,821	0.25%
16	MRS S. VIGNARAJAH	6,300	0.23%
17	MRS M.M. UDESHI	6,000	0.22%
18	DR S. YADDEHIGE	4,798	0.18%
19	MR N.K. FLEMMING	4,064	0.15%
20	MR U.C. BANDARANAYAKE & MRS L. BANDARANAYAKE	4,023	0.15%
21	MR A.J. RUMY	3,900	0.14%
22	MR S.K. HATHIRAMANI (DECEASED)	3,850	0.14%
23	MRS Z.M. ADAMALLY	3,433	0.12%
24	SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	3,000	0.11%
25	MRS Y.K. AMARASINGHE	2,409	0.09%
	Sub total	2,598,579	94.51%
	Others	151,421	5.49%
	Issued Capital	2,750,000	100.00%

# GLOSSARY OF FINANCIAL TERMS

## Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

## Asset Turnover Ratio

Net sales divided by the total assets.

## Capital Employed

Total of stated capital, other reserves, retained earnings and long-term interest-bearing borrowings (debt).

## Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or, a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

## Current Ratio

Current assets are divided by current liabilities. A measure of liquidity.

## Debt/Equity Ratio

Debt as a percentage of investors' funds.

## Dividend per Share

Gross dividend is divided by the number of ordinary shares in issue at the year-end.

## Dividend Payout Ratio

Ordinary dividend per share divided by earnings per share.

## Dividend Payable

Final dividend per share multiplied by the latest available total number of shares as at the date of the Report.

## Earnings per Share

Profit attributable to ordinary shareholders divided by the number of shares in issue.

## EBIT

Earnings before interest expense and tax (includes other operating income).

## EBITDA

Earnings before interest expense, tax, depreciation and amortisation (includes other operating income).

## 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.

## Float Adjusted Market Capitalization

Public holding percentage multiplied by market capitalisation.

## Interest Cover

Profit before tax and interest charges divided by interest charges.

## Investors Funds

Total of stated capital, other reserves, retained earnings and long-term liabilities.

## Market Capitalization

A number of shares in issue at the end of the financial year multiplied by the market value of a share as at that date.

## Market Value (Price) per Share

The price at which an ordinary share is traded in the market.

## Net Assets

Total assets minus current liabilities, long-term liabilities and non-controlling interests.

## Net Assets per Share

Total assets less total liabilities (net assets employed) divided by the number of shares.

## Net Profit Margin

Profit after tax attributable to equity holders divided by total revenue.

## Price Earnings Ratio

The market price of a share at the end of the financial year is divided by the earnings per share for the financial year.

## Quick Asset Ratio

Cash plus short-term investments plus receivables, divided by current liabilities.

## Return on Capital Employed

Earnings Before Interest and Tax (EBIT) divided by Capital Employed.

## Return on Equity

Profit after tax divided by shareholder's equity.

## Return on Assets

Profit after tax plus finance costs divided by total assets.

## Return on Sales

Operating Profit Divided by the Net Sales.

## Shareholders' Funds/ Total Equity

Total of stated capital, other components of equity and revenue reserves.

## Total Debt

The total of long and short-term (current) interest-bearing borrowings.

## Working Capital

Current assets minus current liabilities.

# GRI CONTENT INDEX

Statement of use	Convenience Foods (Lanka) PLC has reported in accordance with the GRI standards for the period 1st April 2023 to 31st March 2024			
GRI 1 used	GRI 1: Foundation 2021			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	SDG TARGET	UN GLOBAL COMPACT	LOCATION
The Organisation and its Reporting Practices				
GRI 2: General Disclosures 2021	2-1 Organizational details		3, 4	6
	2-2 Entities included in the organization's sustainability reporting			3
	2-3 Reporting period, frequency and contact point			3, 4
	2-4 Restatements of information			3
	2-5 External assurance			3
Activities and Workers				
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	8, 10		12-13 / 73-79
	2-7 Employees			58-66
	2-8 Workers who are not employees			58-66
Governance				
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	5, 16		87-101
	2-10 Nomination and selection of the highest governance body			122, 123
	2-11 Chair of the highest governance body			22-23
	2-12 Role of the highest governance body in overseeing the management of impacts			97
	2-13 Delegation of responsibility for managing impacts			97-99
	2-14 Role of the highest governance body in sustainability reporting			100
	2-15 Conflicts of interest			102
	2-16 Communication of critical concerns			60
	2-17 Collective knowledge of the highest governance body			96
	2-18 Evaluation of the performance of the highest governance body			99
	2-19 Remuneration policies			118, 119
	2-20 Process to determine remuneration			118, 119
Strategy, Policies and Practices				
GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	16	1,2	34-38
	2-23 Policy commitments			62-63, 106-107
	2-24 Embedding policy commitments			62-63
	2-26 Mechanisms for seeking advice and raising concerns			102
	2-27 Compliance with laws and regulations			112
	2-28 Membership associations			79



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	SDG TARGET	UN GLOBAL COMPACT	LOCATION
Stakeholder Engagement				
GRI 2: General Disclosures 2021	2-29 Approach to stakeholder engagement	16	3	39-42
	2-30 Collective bargaining agreements			58-66
Disclosures on Material Topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics			43
	3-2 List of material topics			44-47
	3-3 Management of material topics			44-47
Topic Specific Disclosure				
GRI 201:Economic Performance 2016	201-1 Direct economic value generated and distributed	8, 13	7, 8	12, 13, 15-17
	201-2 Financial implications and other risks and opportunities due to climate change			36, 109, 114
	201-3 Defined benefit plan obligations and other retirement plans			150
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	8	6	61
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption	16	10	102
	205-2 Communication and training about anti-corruption policies and procedures	16	10	102
GRI 207: Tax 2019	207-1 Approach to tax			92
	207-2 Tax governance, control and risk management			92
	207-3 Stakeholder engagement and management of concerns related to tax			92
GRI 302: Energy 2016	302-1 Energy consumption within the organization	7, 12, 13	7, 8	82
	302-2 Energy consumption outside of the organisation		7, 8	82
	302-3 Energy intensity		7, 8	82
	302-4 Reduction of energy consumption		7, 8	83
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	14, 15	7, 8, 9	82
	303-2 Management of water discharge-related impacts			83
	303-3 Water withdrawal		7,8	83
	303-4 Water discharge			83
	303-5 Water consumption			82
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	14, 15	7,8,9	86-87
	304-3 Habitats protected or restored			84,85

## GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	SDG TARGET	UN GLOBAL COMPACT	LOCATION
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	3, 7, 9, 11, 12, 13	7,8	83
	305-2 Energy indirect (Scope 2) GHG emissions		7,8	83
	305-4 GHG emissions intensity		7,8	82
	305-5 Reduction of GHG emissions			83-85
	305-6 Emissions of Ozone-depleting substances (ODS)			83-85, 36, 37 / 86-87
GRI 306: Waste 2020	306-1 Waste generation and significant waste- related impacts	11, 12, 13, 14		36, 83-84
	306-2 Management of significant waste-related impacts			36, 83-84
	306-3 Waste generated			36, 83-84
	306-4 Waste diverted from disposal			36, 83-84
	306-5 Waste directed to disposal			36, 83-84
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	12		78
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	4, 5, 8, 10	6	62
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		6	63
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	3, 4, 5, 8, 10		65-66
	403-2 Hazard identification, risk assessment and incident investigation			65-66
	403-3 Occupational health services			65-66
	403-4 Worker participation, consultation and communication on occupational health and safety			65-66
	403-5 Worker training on occupational health and safety			65-66
	403-6 Promotion of worker health			65-66
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			65-66
	403-8 Workers covered by an occupational health and safety management system			65-66
	403-9 Work-related injuries			65-66
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	4, 5, 8, 10	6	58-64
	404-2 Programs for upgrading employee skills and transition assistance programs		6	
	404-3 Percentage of employees receiving regular performance and career development reviews		6	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	SDG TARGET	UN GLOBAL COMPACT	LOCATION
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	5, 8	6	40,62,96
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	5, 8, 16	5	61
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	8		61
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programs			73-79
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria			78
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories			76-77
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling			76





# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty-Third (33rd) Annual General Meeting of Convenience Foods (Lanka) PLC will be held by electronic means on Monday, 9th September 2024 at 3.30 p.m. centered at Ceylon Biscuits Limited, High-Level Road, Makumbura, Pannipitiya for the following purposes;

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2024 and the Report of the Auditors thereon.
2. To declare a first and final dividend of Rs.4.70 per share for the year ended 31st March 2024.
3. To pass the ordinary resolution set out below to re-appoint Mr. R.S.A. Wickramasingha who is 77 years of age, as a Director of the Company;

**"IT IS HEREBY RESOLVED THAT** age limit of 70 years referred to in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R.S.A. Wickramasingha who is 77 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007."

4. To pass the ordinary resolution set out below to re-appoint Mr. L.J.M. De Silva who is 80 years of age, as a Director of the Company;

**"IT IS HEREBY RESOLVED THAT** the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. L.J.M. De Silva who is 80 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007."

5. To re-elect as a Director, Mr Imal Shamen Fonseka in terms of Article 26(6) of the Articles of Association of the Company.
6. To re-elect as a Director, Mr Maithri Evan Wickremesinghe in terms of Article 26(6) of the Articles of Association of the Company.
7. To re-elect as a Director, Ms Sharmini Tamara Ratwatte in terms of Article 26(6) of the Articles of Association of the Company.
8. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.

By Order of the Board,

**Convenience Foods (Lanka) PLC**



**P W Corporate Secretarial (Pvt) Ltd.**

Secretaries

31st July 2024

Colombo

## Notes:

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

# FORM OF PROXY

I/We\* ..... NIC No. ....

of .....

being a shareholder/s\* of CONVENIENCE FOODS (LANKA) PLC hereby appoint .....

of ..... NIC No. .... or failing him\*;

Mr Ramya Sanath Amaraweera Wickramasingha	of Colombo or failing him*
Mr Manjula Chulabhaya Dahanayake	of Colombo or failing him*
Ms Dharshini Sheamalee Wickramasingha	of Colombo or failing her*
Ms Nishka Kanya Wickramasingha	of Colombo or failing her*
Mr Lakshman Joseph Mervin De Silva	of Colombo or failing him*
Mr Maithri Evan Wickremesinghe	of Colombo or failing him*
Ms Sharmini Tamara Ratwatte	of Colombo or failing her*
Mr Imal Shamen Fonseka	of Colombo*

as my/our\* proxy to represent me/us\* and to vote as indicated hereunder for me/us\* and on my/our\* behalf and /or\* to speak at the Thirty-Third (33rd) Annual General Meeting of the Company to be held by electronic means on 9th September 2024 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. Declare a first and final dividend of Rs. 4.70 per share for the year ended 31st March 2024.		
2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. R. S. A. Wickramasingha as a Director of the Company.		
3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr. L. J. M. De Silva as a Director of the Company.		
4. To re-elect as a Director, Mr Imal Shamen Fonseka in terms of Article 26(6) of the Articles of Association of the Company.		
5. To re-elect as a Director, Mr Maithri Evan Wickremesinghe in terms of Article 26(6) of the Articles of Association of the Company.		
6. To re-elect as a Director, Ms Sharmini Tamara Ratwatte in terms of Article 26(6) of the Articles of Association of the Company.		
7. To appoint Messrs Ernst & Young as the Auditors of the Company and to authorize the Directors to determine their remuneration.		
8. To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.		

In witness my/our\* hand this ..... day of..... Two Thousand and Twenty Four.

.....  
Signature of Shareholder/s

\*Please delete what is inapplicable.

## Note:

1. Instructions as to completion appear on the reverse.
2. A Proxy need not be a shareholder of the Company.



# FORM OF PROXY

## INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy please insert the relevant details in the space provided.
3. If the appointer is a Company / Incorporated body this form must be executed in accordance with the Articles of Association / Statute.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. Please indicate with an 'X' in the space provided how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
6. The completed Form of Proxy must be forwarded via e mail to [inquiry.cf@cbllk.com](mailto:inquiry.cf@cbllk.com) or deposited at Convenience Foods (Lanka) PLC, 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana, 10390 no later than forty-eight (48) hours before the time appointed for the convening of the meeting (by 3.30 p.m. on 7th September 2024). In forwarding the completed and duly signed Form of Proxy to the Company, please follow the Guidelines and Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

# CORPORATE INFORMATION

## Name of Company

Convenience Foods (Lanka) PLC, formerly known as Soy Foods (Lanka) PLC.

## Legal Form & Listing

A Public Limited Company.

Listed on the Colombo Stock Exchange.

Incorporated in Sri Lanka on 27th March 1991.

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

## Principal Business Activity

Manufacture and Marketing of Textured Soy Protein (TSP) & Other Food Products.

## Company Registration No.

PQ 164

## Registered Office

No. 555, High Level Road, Makumbura, Pannipitiya, Sri Lanka.

## Principal Place of Business

No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana.

Tel: +94 11 5003000

E- mail: inquiry.cf@cbllk.com

Web: www.conveniencefoodslanka.com

## Directors of the Company

Mr. R.S.A. Wickramasingha – Chairman/  
NED

Mr. M.C. Dahanayake – Managing Director/  
ED

Ms. D.S. Wickramasingha - NED

Ms. N.K. Wickramasingha - NED

Mr. L.J.M. De Silva - NED

Mr. M.E. Wickremesinghe – IND/NED

Ms. S.T. Ratwatte – IND/NED

Mr. I.S. Fonseka – IND/NED

## Audit Committee

Ms. S.T. Ratwatte - Chairperson

Mr. I. S. Fonseka

Mr. M.E. Wickremesinghe

## Remuneration Committee

Mr. M.E. Wickremesinghe - Chairperson

Ms. S.T. Ratwatte

Ms. N.K. Wickramasingha

## Related Party Transaction Review Committee

Mr. I. S. Fonseka - Chairperson

Ms. S.T. Ratwatte

Mr. M.E. Wickremesinghe

## Nominations and Governance Committee

Mr. M.E. Wickremesinghe - Chairperson

Ms. S.T. Ratwatte

Ms. N.K. Wickramasingha

## Auditors

Ernst & Young, Chartered Accountants,  
Rotunda Towers, No. 109, Galle Road,  
Colombo 03, Sri Lanka.

## Secretaries

P W Corporate Secretarial (Pvt) Ltd

No. 3/17, Kynsey Road, Colombo 08,  
Sri Lanka.

Telephone: +94 11 464 0360

Fax: +94 11 474 0588

Email: pwcs@pwcs.lk

## Registrars

S S P Corporate Services (Pvt) Ltd

No.101, Inner Flower Road, Colombo 03,  
Sri Lanka.

Telephone: 2573894/2576871

Fax: +94 11 2573609

Email: sspsec@sltnet.lk

## Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

People's Bank

Standard Chartered Bank

State Bank of India

Sampath Bank

Nations Trust Bank

DFCC Bank

National Development Bank PLC

## Investor Relations Officer

Mr. Randika Gamhewage

Manager - Financial Reporting

Convenience Foods (Lanka) PLC

Email: randikag.cf@cbllk.com

*IND/NED - Independent Non-Executive  
Director*

*ED - Executive Director*

*NED - Non-Executive Director*

Designed & produced by

**emagewise**

**CONVENIENCE FOODS (LANKA) PLC**

No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana.

Tel: +94 11 5003000

Web. [www.conveniencefoodslanka.com](http://www.conveniencefoodslanka.com)