from every angle

CEYLON COLD STORES PLC . ANNUAL REPORT 2014/15

Scan to view this
Annual Report online at
www.elephanthouse.lk

Contents

From every *angle*

Whichever way you look at it, the business model at Ceylon Cold Stores is proved to be strong, adaptable and sustainable. Our long heritage and enduring values have grown the Company from a small Ice manufacturer to the respected corporate we are today. Our portfolio of products now includes some of the best-loved brands in Beverages and Frozen Confectionery products in the country while our reputation for goodness, quality and value remains second to none.

This year we are proud to report outstanding vertical and horizontal growth at all levels of the Group.

Ceylon Cold Stores PLC
Looking at growth, from every angle.

GRI-G4
G4-56

Our Vision

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

Our Values

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


SODA
KIK
EGB

GRI-G4
G4-18
G4-28
G4-30

About this Report

As the first integrated report for Ceylon Cold Stores PLC (CCS), this report tables the performance of the Company for the reporting period 01st April 2014 to 31st March 2015. The report has been prepared in accordance with the guidelines issued by the Colombo Stock Exchange (CSE), applicable to Public Listed Companies.

In terms of content, the emphasis of sustainability is carried throughout the report. In measuring and reporting the Company's sustainability performance, the report refers to the Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.

Report Boundary and Scope

The report aims to present a clear and transparent account of the sustainability performance of CCS and the Company's commitment to create value for all stakeholders via-a-vis the triple bottom line approach of the Company as a first step of this value creation process, page 26 of this report provides a detailed analysis of the stakeholder engagement mechanisms and the material aspect economic, environmental and social issues arising therefrom. The content that follows outlines the strategy and management approach in addressing these aspects, while performance indicators have been tabled to reflect the commitment to develop a sustainable business framework.

The information and statistics needed for the preparation of the report have been obtained from various sources, systems and departments mentioned below;

- Finance
- Legal
- Sales and Marketing
- Procurement
- Supply Chain Management
- Research & Development
- Quality Assurance
- Human Resources
- Information Technology
- Sustainability
- Distributor Management System (DMS)
- Enterprise Resource Planning System (SAP System)

Identifying what is "Material"
With the importance allocated to Material aspects under the GRI Guidelines, CCS uses the stakeholder engagement mechanism to pinpoint to what is deemed to be material by each stakeholder group. It is also the basis on which the Company is able to gauge the expectations of each stakeholder cluster.


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

GRI-G4
G4-EC1

Financial Highlights

GROUP

		2015	2014	Change
Earnings Highlights and Ratios				
Revenue	Rs.'000s	27,699,059	23,613,690	17.30%
Results from Operating Activities	Rs.'000s	2,160,444	1,541,245	40.18%
Profit before Tax	Rs.'000s	2,146,665	1,545,188	38.93%
Profit after Tax	Rs.'000s	1,525,495	1,217,717	25.28%
Interest Cover	No. of Times	35.59	11.06	24.53
Return on Total Assets	%	9.51	8.00	1.50
Return on Capital Employed	%	18.88	11.95	6.93
Highlights and Ratios of Financial Position				
Total Assets	Rs.'000s	16,495,111	15,596,939	5.76%
Total Debt	Rs.'000s	708,934	1,450,470	-51.12%
Net Debt	Rs.'000s	-	887,392	-
Total Shareholders' Funds	Rs.'000s	10,656,336	10,000,216	6.56%
Net Assets per Share	Rs.	112.12	105.22	6.90
Debt / Equity	%	6.65	14.50	(7.85)
Debt / Total Assets	%	4.30	9.30	(5.00)
Market / Shareholder Information				
Market Price of Share as at 31st March	Rs.	298.20	140.70	157.50
Market Capitalisation	Rs.'000s	28,340,928	13,372,128	111.94%
Earnings per Share	Rs	16.05	12.81	3.24
Price Earnings Ratio (PER)	No.of Times	18.58	10.98	7.60
Dividends per Share (Gross) - Paid	Rs.	11.00	4.00	175.00%
Dividends Payout Ratio	%	68.53	31.22	37.31
Dividend Yield	%	3.69	2.84	0.85
Other				
Total Value Added	Rs.'000s	6,921,352	5,523,731	25.30%
Distributed as below;				
Government	Rs.'000s	1,958,674	1,331,810	47.07%
Employees	Rs.'000s	2,735,735	2,319,668	17.94%
Paid to Shareholders as Dividend	Rs.'000s	1,045,454	380,174	174.99%
Retained within the Business	Rs.'000s	1,181,489	1,492,079	-20.82%

Revenue

Rs. 27.70 Bn. ↑ 17%

Profit Before Tax

Rs. 2.15 Bn. ↑ 39%

Earnings per Share

Rs. 16.05 ↑ 25%

Dividend per Share

Rs. 11.00 ↑ 175%

Shareholders' Funds

Rs. 10.66 Bn. ↑ 7%

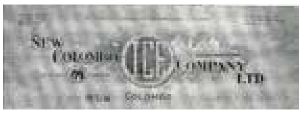
History at a Glance

1866

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

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

1883



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

1894

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

1921

Introduction of crown corks to the Aerated Water business.

1925

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

1932

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

1934

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

1935

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

1941

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

1950

New soft drinks factory opened.

1965

Re-introduction of Ice Palam.

1970

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

1991

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

1998

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

2010

The Brand Logo change on 25th July 2010

Intorduction of KIK Cola in December 2010.

2011

New bottle shape Introduced.

2013

Relocation of the Justice Akbar Mawatha offices to Vauxhall Street

Year at a Glance

April

Launch of 2 Litre KiriPani – In keeping with Sri Lankan traditions, the KiriPani range brings together a rich blend of ice cream and treacle that captures the essence of one of the country's much loved desserts.

Jaykay Marketing Services (Pvt) Ltd (JMSL) opened an outlet in Embuldeniya – A fully fledged Keells Super outlet that caters to customers in and around the bustling town of Embuldeniya.

July

Launch of Twistee – Offering consumers a refreshing blend of fresh fruit juice and green tea, the low-fizz, low sugar alternative is made using pure Ceylon Tea and the concentrate of real fruit juice.

May

Sirasa Wesak Kalapaya – conducted in partnership with the Capital Maharaja Organisation, the initiative was aimed at uniting all communities under a common banner of peace and harmonious co-existence.

June

Installation of an Automatic Flow System (AFS) unit at Ranala factory – A sustainability initiative aimed at reducing the energy consumed during the energy intensive PET bottle blowing process.

JMSL opened an outlet in Kottawa.

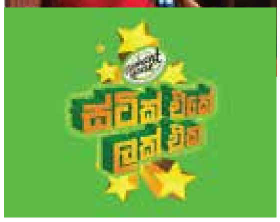
August

Stick Eke Luck Eka– Consumer Promotion

Wild Elephant Powers 'Harley Davidson Street Thunder Sri Lanka' Yet Again - Wild Elephant, the high-power Beverage joined the Harley Owners Group (HOG) Dubai Chapter as principle sponsor of its first ever tour of the Island.

EGB woos Miss Universe China finalists– EGB partnered with Cinnamon Hotels & Resorts as the official Beverage sponsor for the Miss Universe China pre pageant tour of Sri Lanka.

JMSL acquired Nexus Network (Pvt) Ltd.



September

Stick Eke Luck Eka – Consumer Promotion – Continued for the second month.

Soda campaign was launched.

JMSL opened an outlet in Gamsaba junction - Nugegoda

October

CCS was awarded the Bronze (Manufacturing Sector Large Scale) award for the Social Dialogue Organised by Department of Labour.

JMSL launched a 'standard of freshness' campaign – Featuring Keells Super Brand Ambassadors Kumar and Yehali Sangakkara, the initiative was aimed at creating general awareness regarding the high quality fresh produce available at Keells Super stores.

November

Launch of Rocky Road - A combination of smooth and creamy rich chocolate ice cream made from pure dairy milk, roasted cashew nuts and ribbons of fluffy, delicious marshmallows, the Rocky Road Ice Cream offers consumers the promise of a whole new ice cream experience.

The new Necto commercial is aired.

December

Ceylon Cold Stores PLC won the Gold Award in the Food and Beverage Sector at the Annual Report awards ceremony conducted by Institute of Chartered Accountants Sri Lanka.

Launch of the Clean Energy Project (Beverage Plant): Sourcing the entire CO_2 requirement from India, an initiative that aims to eliminate the diesel energy required to produce CO_2 needed for the bottling process. This initiative will significantly reduce emissions from the in-house CO_2 production process.

January

Commenced installing a new Sewerage system at the Ranala Factory with a capacity of 150 cubic metres with a modern Membrain Bio Reactor to improve the positivity of waste water, which would then be reused for cooling and sanitation requirements.

JMSL carried out a wellness campaign and distributed exercise equipment and health check up vouchers to winners of a raffle draw.

February

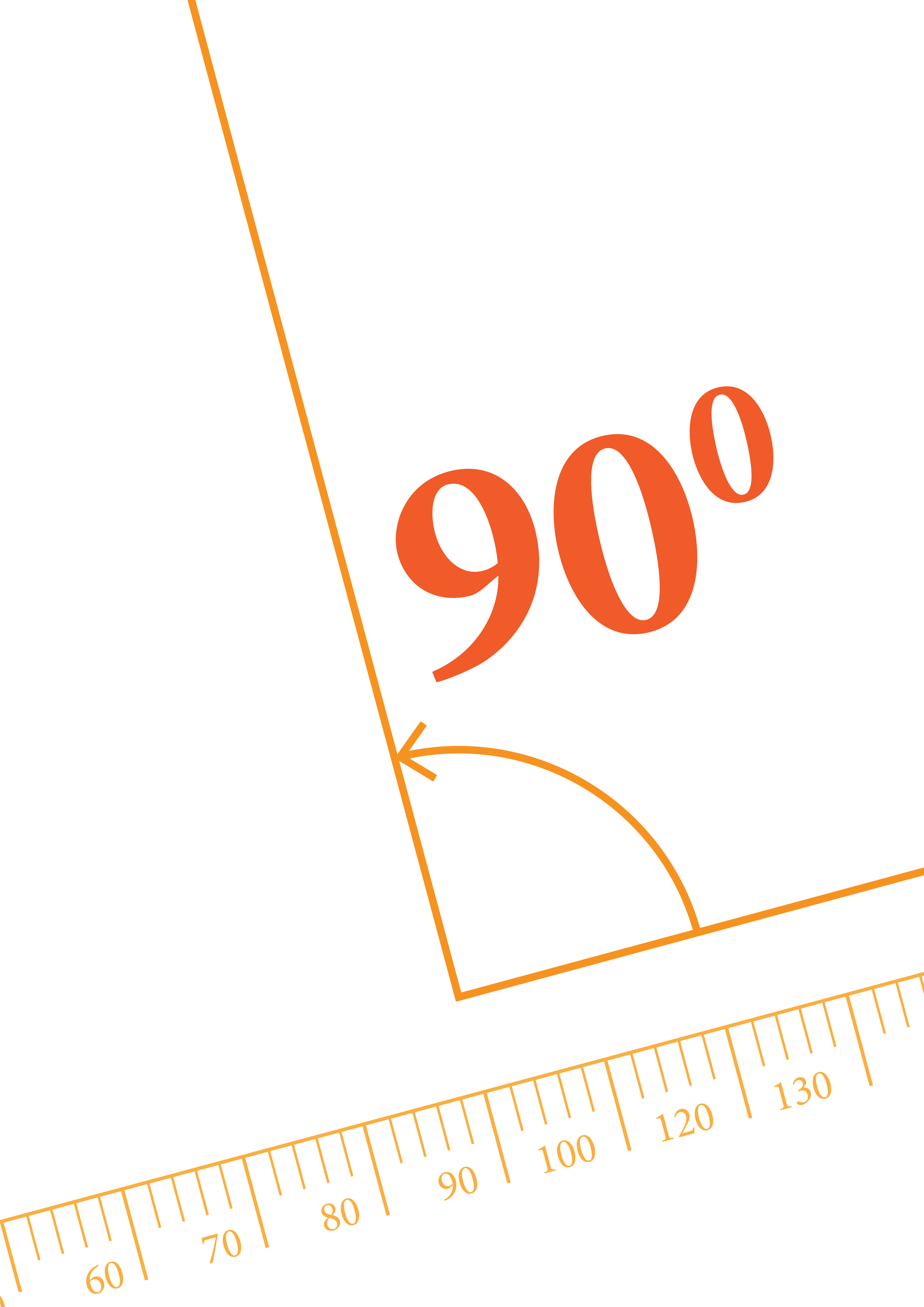
Nexus Network (Pvt) Ltd merged its operations with JMSL.

JMSL carried out the Cricket Mania campaign offering free tickets for World Cup match and air travel.

March

Highest ever monthly volume recorded by the Beverage catagory. Best ever monthly profit registered by Frozen Confectionery category. Cream Soda bags the Beverage Brand of the year in Peoples' Awards.

JMSL opened and outlet in Arangala.



90°
60
70
80
90
100
120
130

Executive Information

Right Angle - an angle that is exactly 90°

Keeping precision and planning at the forefront of our strategies.

GRI-G4
G4-01

Chairman's Statement

Whichever way you look at it...

"This year, both Ceylon Cold Stores PLC (CCS) and its Subsidiary, Jaykay Marketing Services (Pvt) Ltd (JMSL), delivered excellent results which are the highest recorded to date from an operating perspective."

Susantha Ratnayake
Chairman
26th May 2015

It is with great pleasure that I present the Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31st March 2015.

This year, both Ceylon Cold Stores PLC (CCS) and its Subsidiary, Jaykay Marketing Services (Pvt) Ltd (JMSL), delivered excellent results which are the highest recorded to date from an operating perspective. Whilst consumer sentiment and spending witnessed in the latter part of 2013/14 maintained their momentum into the first half of the year under review there was a temporary setback to consumer demand on account of the prolonged drought and severe flooding witnessed across the country in the third quarter. The reduction in electricity tariffs, fuel prices and the increase in public sector salaries resulted in an increase in disposable income. However, the full benefits of these measures in terms of its impact on discretionary spending will only be visible in the ensuing financial year, considering that measures were implemented in the last quarter of 2014/15.

At a Company level the Frozen Confectionery category posted a near double digit volume increase while the Beverage category was able to arrest the decline in volumes in the previous year and post a 3 percent volume growth in relatively challenging market conditions. The decline in commodity prices, efficient cost management and reduction in electricity tariffs and fuel prices all contributed towards improvement of margins.

The turnaround witnessed in the Subsidiary which operates the “Keells Super” chain of supermarkets in the previous year continued. It gives me immense satisfaction to say that despite a significant impact on account of the imposition of deemed VAT on the turnover, the results are highly satisfactory. The double digit increase in same store turnover largely driven by growth in customer count is an affirmation that our customer centric initiatives have been effective.

Financial Performance

The Company posted revenues of Rs. 9,768 million, representing a growth of 10 per cent over the previous financial year. The recurring profit increased by 53 per cent during the same period where the previous years' results included a one off gain of Rs. 366 million on lease rights forgone and a gain of Rs. 72 million on change in the fair value of investment property. After excluding the aforementioned impacts, the profit after tax for the year increased by 43% per cent.

Revenue at the Subsidiary was Rs. 18,186 million which is an increase of 21 per cent over the previous year whilst profit before tax was Rs. 512 million, an increase of 183 per cent.

At Group level cash generated from operations was Rs. 2,840 million which is a 55 per cent increase over previous year.

The Consolidated profit after tax was Rs. 1,525 million (2013/14 Rs. 1,218 million).

Group Profit After Tax

Rs. **1.53** Bn.

↑ 25%

Dividends

Your Board has approved the payment of a final dividend of Rs. 6.00 per share for the year under review after having paid an interim dividend of Rs 5.00 per share in December 2014, resulting in a total payout of Rs. 1,045 million as compared to the Rs. 570 million paid as dividends for the previous year.

Taking into consideration the first and final dividend paid for 2013-14 in June 2014 the total payout by the Company as dividends inclusive of the interim and proposed final dividend for 2014-15 would be Rs. 1,616 million over a period of 12 months.

Investment in the Waterfront Project

I also wish to state that, as announced by the Parent Company John Keells Holdings PLC on 30th January 2015, the Waterfront Project will continue after having considered all known factors and the potential impacts of the varying alternatives.

Working Towards a Stable Regulatory Framework

As representatives of the food and Beverages sector, we realise the importance of consumer education and providing the consumer with the opportunity to make an informed choice. Accordingly, we continue to engage with the authorities to assess the viability of proposed amendments and the introduction of new regulations which would impact the industry and its stakeholders.

GRI-G4
G4-01

Chairman's Statement

"For over 150 years, our stakeholders have been the inspiration behind the Ceylon Cold Stores PLC legacy."

Your Company is in the process of formulating strategies to mitigate the implications of Government imposed regulations. However, we are of the view that the regulators and authorities should engage comprehensively with the industry considering the wider long term implications for all stakeholders prior to implementing such far reaching regulations.

Fulfilling our Promise to all Stakeholders

For over 150 years, our stakeholders have been the inspiration behind the Ceylon Cold Stores PLC legacy. It is the connections we have formed over the years, which have helped us understand what our stakeholders expect from us and then commit towards fulfilling them. Be it customers, shareholders, suppliers, employees, regulators, the environment or the community, our mandate is, simply to deliver what is expected of us in the most sustainable and moral way possible.

During the year we reduced the carbon foot print by 12 per cent through green initiatives while employee attrition decreased by 1 per cent. This increased sourcing volumes during the year supported the local farmer community. In keeping with our triple bottom line approach, these initiatives are an indication that our focus was not limited to economic success but extended to environmental stewardship and social responsibility as well which is discussed in further detail in our first Integrated Annual Report.

Focussing on People

Our goal for our people is to systematically cultivate the next generation of employees who are empowered in decision making and would take over the reins of our businesses. Our focus is thus to develop a management-oriented, forward-thinking and technologically skilled pool of human resources, who are an asset to the Company.

The retail academy that is run by JMSL has provided thousands of rural youth from all over the country their initial training on a hands on basis in a working environment and subsequent employment at our supermarkets. We will continue to invest in this initiative.

Future Outlook

I am confident that the increase in disposable income witnessed in the last quarter will act as a catalyst for greater demand of our Frozen Confectionery products whilst the growth potential for Carbonated Soft Drinks may be constrained to an extent in the medium to long term due to a growing segment of health conscious consumers. The Beverage range was extended during the year by introducing a fruit flavour based green tea with minimal carbonation under the "Twistee" sub brand. These new additions to the portfolio aim to cater to the emerging trend for lifestyle Beverages in tandem with the global movement towards healthier lifestyle choices.

Research and Development initiatives are ongoing to facilitate the use of natural flavours and colours when re-inventing existing products and introducing new products to the market. As lifestyles evolve and convenience takes precedence, consumer preferences are also shifting toward Beverages presented in plastic packaging as opposed to glass packaging. In the ensuing financial year, CCS will make the necessary investments to enhance its production capacity of Beverages packaged in polyethylene terephthalate (PET) bottles and cater to the growing demand within this segment. Further steps will also be taken to consolidate the existing distribution network and improve efficiencies where possible.

In the Frozen Confectionery business too we will look to expand our product portfolio, with greater focus on the impulse range to capture an emerging consumer base.

The premium range which was launched about three years ago has seen satisfactory growth and it is our intention to extend the range. Whilst this product is sold predominantly in the modern trade the increase in disposable income should enable the Company to extend it to the general trade. The Frozen Confectionery business will also work towards extending its customer reach by investing in the expansion of freezer capacity and strengthening its mobile distribution channel.

The strategies and initiatives that were put in place in the last couple of years have paid rich dividends in our modern retail business, and the improved results are an affirmation of this. The modern retail trade, still accounts for less than 20 per cent of the overall grocery market in Sri Lanka. Therefore there is significant potential for growth. The improvement in the systems and processes in our modern trade business will ensure that the Company is fully geared to take maximum advantage of the growth in this business.

The Retail business will continue to roll out stores conforming to the larger format in strategically placed locations. While a majority of the stores will be concentrated within the Western Province, locations beyond these limits will also be evaluated based on certain criteria.

Appreciations

On behalf of the Board of Directors, I wish to express my sincere appreciation to the management and staff of both CCS and JMSL The excellent results during the year are a testament to their commitment and hard work. My grateful thanks are also extended to our consumers, retailers, distributors, bankers and suppliers for their loyal patronage and support. Further, I would like to thank my colleagues on the Board for the guidance and wise counsel extended to me at all times and wish to welcome Mr. Muhammed Hamza to the Board. In conclusion, I wish to thank our valued shareholders for their loyal association with Company. I seek your continued support, to realise our corporate goals in the coming years.

"Our goal for our people is to systematically cultivate the next generation of employees who are empowered in decision making and would take over the reins of our businesses."

Susantha Ratnayake
Chairman

26th May 2015

Board of Directors

SUSANTHA RATNAYAKE

Non Independent – Non Executive, Director Chairman

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

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 and has served on the JKH Board since 1992/1993 and has 37 years of management experience, all of which are within the John Keells Group. A past Chairman of the Sri Lanka Tea Board and Ceylon Chamber of Commerce, he is also the Chairman of Ceylon Tobacco Company PLC and Employers Federation of Ceylon.

AJIT GUNEWARDENE

Non Independent – Non Executive, Director

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

Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of the Board for over 20 years. He is the Chairman of Union Assurance PLC. He is a member of the Board of SLINTEC, a Company established for the development of nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology. He is also an Advisory Committee Member of COSTI, the Coordinating Secretariat for Science Technology and Innovation under the purview of the Minister (Senior) of Scientific Affairs. He has also served as the Chairman of the Colombo Stock Exchange and Nations Trust Bank PLC. Ajit has a Degree in Economics and brings over 32 years of management experience.

RONNIE PEIRIS

Non Independent – Non Executive, Director

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

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

He has over 40 years finance and general management experience in Sri Lanka and abroad. He is a Fellow of the Chartered Institute of Management Accountants, UK, Association of Chartered Certified Accountants, UK, and the Society of Certified Management Accountants, Sri Lanka and holds an MBA from the University of Cape Town, South Africa. He is a member of the Committee of the Ceylon Chamber of Commerce, and serves on its Economic, Fiscal and Policy Planning Sub Committee.

JITENDRA GUNARATNE

Non Independent – Executive, Director

Mr. Gunaratne, is the President of the Consumer Foods Sector of the John Keells Group and was appointed to the Board of Ceylon Cold Stores PLC in 2004/05.

Prior to his appointment as President, he overlooked the Plantations and Retail Sectors. His 34 years of management experience in the Group also cover Leisure and Property. Jitendra holds a Diploma in Marketing. He is the President of the Beverage Association of Sri Lanka.

RASAKANTHA RASIAH

Independent – Non Executive, Director

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

He is a graduate of the University of Ceylon and a fellow member of the Institute of Chartered Accountants of Sri Lanka. He brings to the Board a wealth of experience in the FMCG industry. He has wide experience of over 40 years in the industry, both locally and overseas. He was the former Finance Director of Nestle Lanka PLC, holding the position for over a decade. He was also a visiting lecturer in "Finance and Accounts" for Nestle SA (international) for Africa-Asia Oceania region. He is a former President of the Benevolent Society of the Institute of Chartered Accountants of Sri Lanka. He is also a Director of Nations Trust Bank PLC, MTD Walkers PLC, EB Creasy Group of Companies, Hela Clothing Ltd and Chairman of Ceylon Pencil Co Ltd. He was a visiting Lecturer in Finance at the Postgraduate Institute of Management (PIM). A keen sportsman, he represented Sri Lanka at table tennis.

PRASANNA JAYAWARDENA, PC

Independent - Non Executive, Director

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

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

PROF. UDITHA LIYANAGE

Independent - Non Executive, Director

Prof. Liyanage, PhD, was appointed to the Board of Ceylon Cold Stores PLC from 1st July 2005. Prof. Liyanage is a member of the Audit Committee of the Board of Directors. He brings to the Board extensive knowledge and experience in the sphere of marketing activities. Prof. Liyanage is a Professor of Management of the Postgraduate Institute of Management (PIM). He is a Consultant to a number of key companies and international agencies.

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

MUHAMMED HAMZA

Independent - Non Executive, Director

Mr. Hamza was appointed to the Board of Ceylon Cold Stores PLC from 15th May 2015. He has over 30 years of managerial experience in the FMCG industry. Currently he is the CEO of Ceylon Pencil Company Ltd (ATLAS), the leading school and office stationery Company in Sri Lanka. Prior to this he had a 28 year long career with the Nestle Group, holding Senior Marketing and General Management positions in Sri Lanka, India, Pakistan and Indonesia. From 2008 to 2013, Mr. Hamza was Senior Vice President, responsible for all the Business Units, Marketing Communication and the Sales Division at Nestle Sri Lanka. In this capacity he played a significant role in transforming the Nestle business in Sri Lanka to achieve sustainable and profitable growth.

From 2005 to 2008 Mr. Hamza was on seconded with Nestle India as the General Manager for the Coffee and Beverages Business across the South Asia region and was a member of the Nestle South Asia Management Committee. During his long career with Nestle Lanka, he has been instrumental in developing strong brands such as Nestomalt and Milo, which are today the flagship brands of Nestle in Sri Lanka.

During his overseas stints with the Nestle Group, he has spearheaded the development of award winning campaigns for important global brands like Nescafe and Milo in Indonesia and India.

He holds a B.Com degree from the University of Peradeniya- (Sri Lanka), an MBA from The American University in Washington DC and a Post Graduate Diploma in General Management from IMD in Switzerland.

Management Team

Ceylon Cold Stores PLC

(In alphabetical order)

BELINDRA WEERASINGHE

Vice President

Belindra is the Head of the Frozen Confectionery category of Ceylon Cold Stores PLC since 2014. Belindra has over 16 years of experience in the FMCG sector having previously worked for Ceylon Tobacco Company and Coca Cola Beverages Sri Lanka. During his career he has held key roles in Sales, Marketing and Research. Belindra holds an MBA from Edith Cowan University, Australia.

DAMINDA GAMLATH

Vice President

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

JITENDRA GUNARATNE

President /Director

Jitendra is the CEO of Ceylon Cold Stores PLC and Director of Keells Food Products PLC both of which are part of the John Keells Consumer Foods Sector. He is a member of the Group Executive Committee (GEC) of the John Keells Group since 2005. He joined the JKH Group in 1980 and prior to his appointment as the President of the Consumer Foods sector in 2005, he overlooked the Plantations and Retail sectors of the Group. His 34 years of management experience in the Group also cover the Leisure and Property Sectors as well. Jitendra holds a Diploma in Marketing and is the President of the Beverage Association of Sri Lanka.

NALAKA UMAGILIYA

Vice President

Nalaka is the Head of Business Systems for Retail and Consumer Foods Sectors of the JKH Group. He joined the John Keells Group in 1997 and has 18 years of industry experience in Retail, Consumer Foods and Supply Chain. He holds a B.Sc. in Information Systems, a MSc in Information Technology from the University of Keele (UK) and a MA in International Relations from the University of Colombo. Nalaka is a member of the British Computer Society and the Chartered Information Technology Professional (CITP). Apart from the above responsibilities, Nalaka also serves as the CEO of Nexus Mobile, the pioneering lifestyle loyalty program in Sri Lanka.

NELINDRA FERNANDO

Vice President

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

NILANTHA JAYASINGHE

Assistant Vice President

Nilantha is the Head of Human Resources of Ceylon Cold Stores PLC and Keells Food Products PLC and joined the John Keells Group in 2004. Prior to that he worked at Aitken Spence Group for 6 years as the Head of Human Resources for Elpitiya Plantations PLC. He is an Associate Member of Institute of Personnel Management (Sri Lanka), holds a B.Sc Business Administration (Special) degree in Human Resource Management from University of Sri Jayewardenepura and MBA from University of Colombo. He has undergone training in Human Resource Management and Industrial Relations in Japan.

SANJEEWA JAYASUNDARA

Vice President

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

SANJEEWA JAYAWEERA

Executive Vice President

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

SASANKE JAYAWARDENE

Assistant Vice President

Sasanke is the Head of Management Accounting of Ceylon Cold Stores PLC and Keells Food Products PLC. He joined the John Keells Group in 2009. Prior to that he worked at the MAS Group for 6 years and was attached to manufacturing facilities in Sri Lanka and Vietnam. He is an Associate Member of the Chartered Institute of Management Accountants of UK , holds a B.Sc Accounting (Sp) degree from the University of Sri Jayewardenepura and MBA from the Edith Cowan University of Western Australia. He is also a member of the CIMA (Sri Lanka) Thought Leadership Committee.

WASANTHA MALWATTEGE

Assistant Vice President

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

WASANTHALAL FERNANDO

Assistant Vice President

Wasanthalal joined Ceylon Cold Stores PLC in 1981 and currently holds the position of Head of National Sales for Beverage category. He is a Member of the Judging panel of the Sri Lanka Institution of Marketing National Sales Congress.

Jaykay Marketing Services (Pvt) Ltd

(In alphabetical order)

ARAVINDA WANNIARACHCHI

Assistant Vice President

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

CHARITHA SUBASINGHE

Vice President

Charitha is the Chief Executive Officer (CEO) of Jaykay Marketing Services (Pvt) Ltd and has been with the John Keells Group since 2003. He was the Sector Financial Controller of the Retail Sector, before being appointed as the Chief Executive Officer in 2005. He was also employed at Aitken Spence Hotel Management as the Sector Financial Controller before moving over to John Keells. He is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as a Diploma Holder of the Chartered Institute of Marketing (UK). He also Holds a MBA from the University of Colombo.

HISHAN SINGHAWANSA

Assistant Vice President

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

KRISHAN BALENDRA

President / Director

Krishan is the President / Director of Jaykay Marketing (Pvt) Ltd and is also responsible for John Keells Stock Brokers (Pvt) Ltd. He is a member of the Group Executive Committee (GEC) of the John Keells Group. He also serves as the Chairman of Nations Trust Bank PLC and is the outgoing Chairman of the Colombo Stock Exchange. He started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in Corporate Finance at Aitken Spence & Co. PLC, Sri Lanka prior to joining JKH in 2002. Krishan holds a Law degree (LLB) from the University of London and an MBA from INSEAD.

NALAKA UMAGILIYA

Vice President

See profile on page 20

NILUSH COORAY

Assistant Vice President

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

SANJEEWA JAYAWEERA

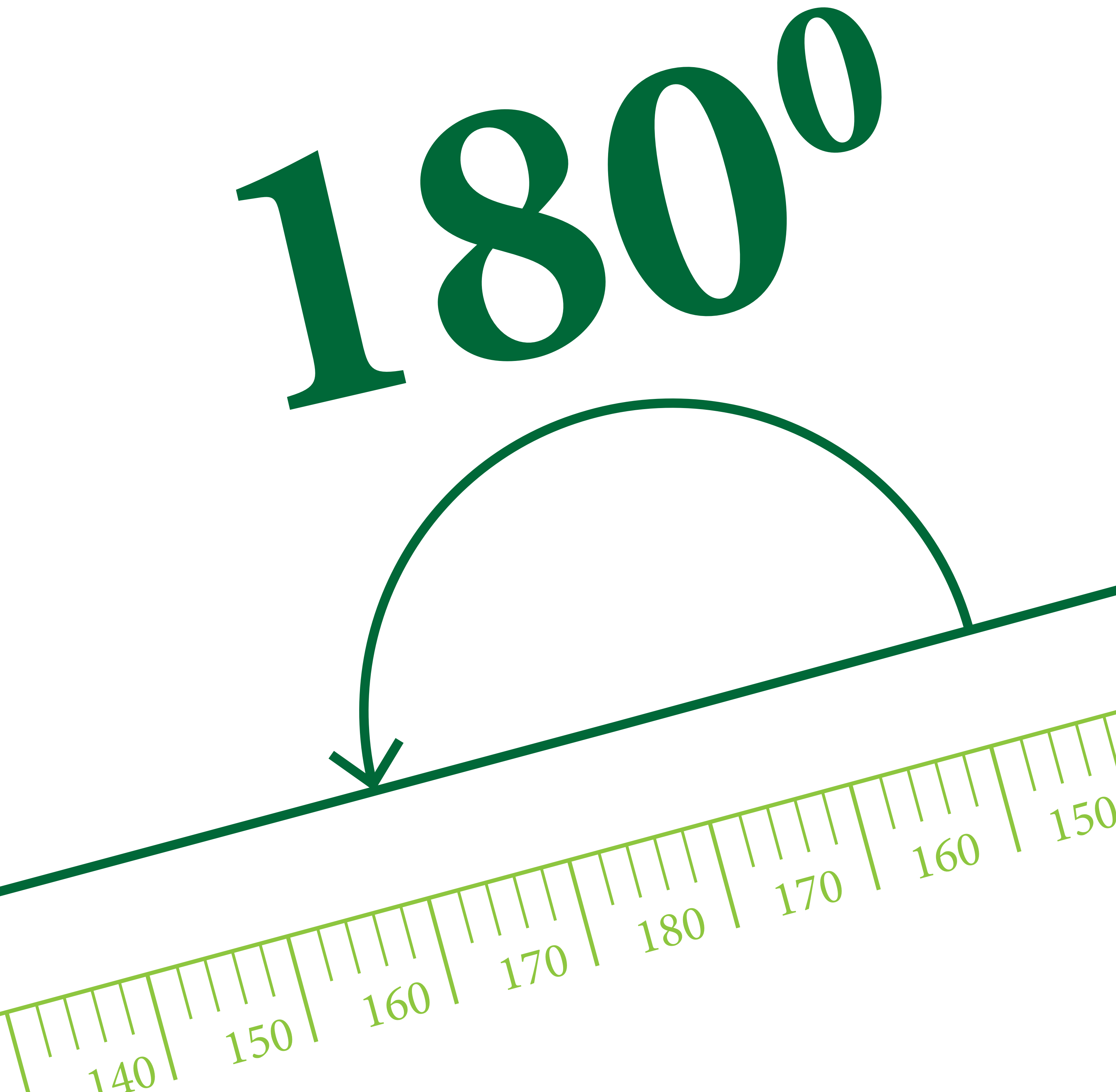
Executive Vice President

See profile on page 20

SURESH MUTTIAH

Assistant Vice President

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


180°

Business Review

Straight Angle - an angle that is exactly 180°

Planning our prospects for the future

140

IRRESISTIBLY
DARK & DELICIOUS
Introducing Rocky Road ICE CREAM
PREMIUM PREMIUM PREMIUM PREMIUM PREMIUM PREMIUM PREMIUM
Elephant House
Rocky Road ICE CREAM
Rich chocolate, roasted nuts and chewy marshmallows.

Business Review

> *"Our focus on sustainability involves engaging with our key stakeholders – our customers, our shareholders, our employees, our communities and our value chain partners, to ensure that we are acting as responsibly and as ethically as possible and that we are furthering our leadership position within our businesses."*

Captioning our Commitment Towards Sustainable Development

As the perennial shift in the business landscape continues to erode natural resources, ensuring a safer world for future generations has now become one of the top priorities of companies which intend to act in a socially responsible manner.

It has always been our endeavour to convey sustainable economic growth without harming our planet or exhausting its resources, while simultaneously improving the quality of life for its current and future inhabitants. Long term value creation for our varied stakeholder groups depends on the sustainability of our business, its impact on the environment and the communities in which we operate.

The Elephant House brand is a household name in Sri Lanka, and we believe our heritage position and the unparalleled value of the Elephant House brand provides the right leverage to fulfil our promise to deliver lasting change for all stakeholders.

Strongly aligned to the John Keells Holdings PLC (JKH) policy, Company mirrors the same level of commitment towards sustainable development as the Parent Company. Our entire operational perspective echoes our attitude towards sustainability, where initiatives in this regard are skilfully integrated into the Company's strategic priorities.

Developing a Sustainable Business Model

Our sustainability strategies are built upon three key principles: environmental stewardship, social responsibility and economic success. By demonstrating leadership within each of these powerful principles, we will continue to successfully deliver on our Corporate Vision.

GRI-G4
G4-25

Business Review

Sustainable Business Model - Ceylon Cold Stores PLC

CAPITAL INFUSIONS

- Financial
- Human
- Natural
- Intellectual
- Manufacturing
- Social

CORE BUSINESS FUNCTIONS

- Procurement
- Inbound Logistics
- Production & Packaging
- Outbound Logistics
- Quality Assurance
- Research & Development
- Sales & Marketing

SUPPORT FUNCTIONS

- Finance & Planning
- Human Resource Management
- Information Technology
- Legal

PRODUCTS

Beverages

- Glass Bottles
- PET Bottles
- Cans

Frozen Confectionery

- Bulk Containers
- Sticks
- Cups

RISK

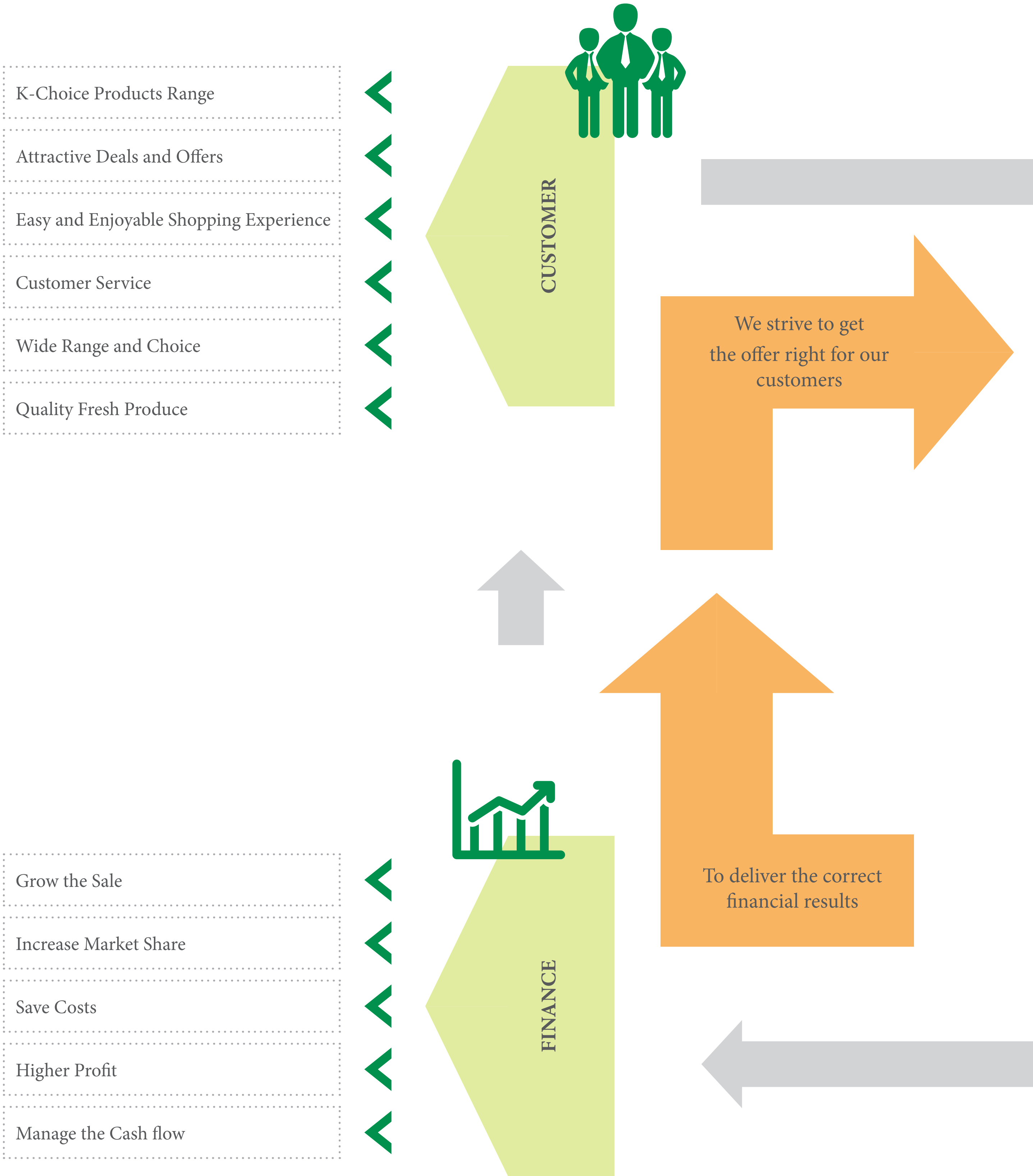
CORPORATE

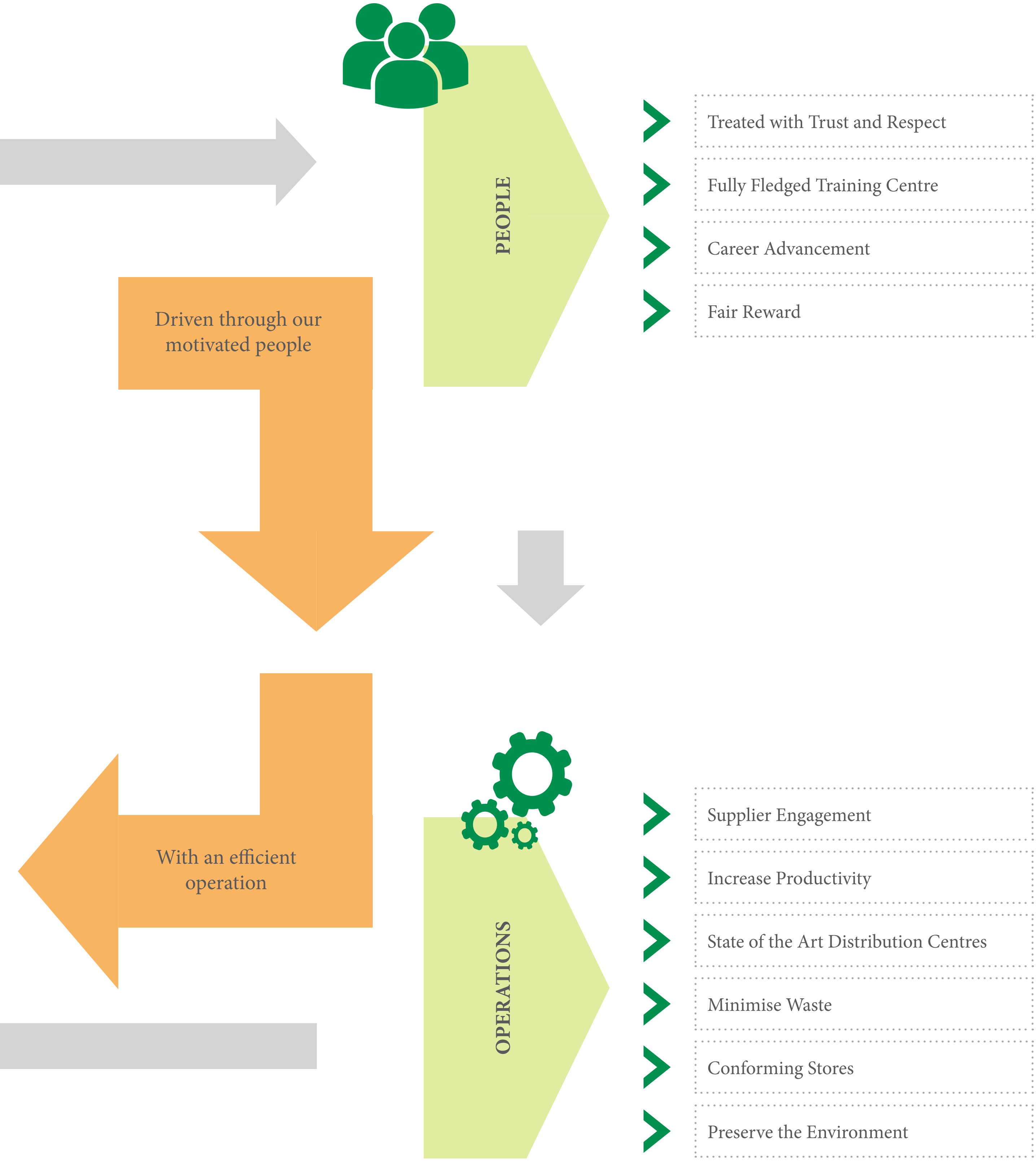
DISTRIBUTION CHANNELS

VALUE CREATION FOR STAKEHOLDERS

Business Review

Sustainable Business Model - Jaykay Marketing and Services (Pvt) Ltd




PEOPLE
Treated with Trust and Respect
Fully Fledged Training Centre
Career Advancement
Fair Reward
Driven through our motivated people
OPERATIONS
Supplier Engagement
Increase Productivity
State of the Art Distribution Centres
Minimise Waste
Conforming Stores
Preserve the Environment
With an efficient operation

GRI-G4
G4-19
G4-20
G4-21
G4-24
G4-25
G4-26
G4-27
G4-PR3

Business Review

Value Creation for Stakeholders through Six Capitals - Ceylon Cold Stores PLC

	Engagement Process	Material Aspects	Value Capitals	Risks	Opportunities
SHAREHOLDERS	Annual Reports Interim Financial Statements AGM Announcements through CSE Media Releases And Press Conferences Corporate Website One to One Discussions (If Required)	Operational Efficiency Sustainable Business Good Governance and Business Integrity Return on Investment Return on Capital Employed	FINANCIAL & MANUFACTURING	Credit & liquidity risks Interest Rate Risks Foreign Exchange Risk	Reinvest to expand and diversify business Train and develop employees Brand building Invest on latest technologies R & D to innovative products Increase CSR activities Invest on more stringent emission control
CUSTOMER	Face-to-Face Interactions Customer Hotline Customer Complaints Mechanism Customer Surveys Social Media Interaction	Providing Value For Money With Quality Products Product Labelling Requirements And Advertising and Marketing Communications Governed by the Food Act and Consumer Affairs Authority New Product Development to Cater Customer Health, Nutritional and Lifestyle Expectations	INTELLECTUAL	Breakdown of internal controls and quality assurance processes Product innovation not meeting with customer expectations Loss of customer goodwill and brand reputation Unauthorised access to Company IT systems	Develop new and emerging market segments Improve Customer engagement mechanisms Identify new marketing concepts to further develop the brand image To introduce new products
EMPLOYEES	Annual Appraisals Learning and Awareness Workshops Company Sponsored Social Interactions Employee Climate Surveys - Great Place to Work & Voice of Employee Open Door Policy Ombudsperson Information Portals in the Intranet	Remuneration And Benefits Fairness and Equality Job Security Career Development & Succession Planning Health And Safety	HUMAN	High cost of labour Labour relations Health and Safety of employees Fraud and corruption	Create better business leaders Improved ability to innovate Improved labour productivity Motivated employees Improve safety and well-being of employees

GRI-G4
G4-19
G4-20
G4-21
G4-24
G4-25
G4-26
G4-27

Strategies and Focus	Management Approach	Core Competencies	Results 2014/15
Commitment towards optimising the bottom line Sustainable Business Practices to improve overall performance Compliance with all mandatory Accounting, Auditing, and Corporate Governance principles	Target-driven revenue maximisation and structured cost control measures to optimise profitability, together with sound principles aimed at improving overall business performance	Financial Stability Cost Leadership Group Synergies Sustainable business conduct	Company Profit after tax Rs 1.2 billion Dividend Per Share – Rs 11.00
Managing the product lifecycle Introducing innovative Product concepts in tandem with global trends and changing lifestyles of customers Encourage customer feedback through proactive engagement Sustainable brand building to stay relevant with customer life style changes through dynamic marketing and promotional campaigns	Introduce Diverse offerings and flavour variants in response to customer needs Engage in responsible advertising and marketing as per regulatory guidelines Creating greater customer awareness to reinforce the value proposition we offer through our products Detailed product tracing and recall policy	Superior knowledge and expertise Advanced R & D capabilities Diversified range of products Widespread market presence through a strong Distributor network High brand visibility Brand Loyalty	Launch of Twistee, Rocky Road and Kiri Pani Cream Soda winning FMCG People's choice of the year award for 9th consecutive year Sustenance of market leadership position
Remuneration Policy Employee Engagement and Labour Relations Performance and Reward Management Training and Mentoring Occupational Health and Safety Complying with labour regulations	Create a safe, dynamic, result-oriented work environment that motivates the workforce and promotes employee goal congruence	Employer of choice in Sri Lanka Strong, communicative work culture Exemplary business ethics Long standing ties with the community Brand Loyalty	93% of the workforce take pride in working for the Company based on the EFC Survey Attrition has reduced from 8% to 7% Man Days lost due to occupational injuries has reduced from 0.080% to 0.028% as a percentage of total Man Days Rs. 2.7 billion paid to employees

GRI-G4
G4-19
G4-20
G4-21
G4-24
G4-25
G4-26
G4-27

Business Review

Value Creation for Stakeholders through Six Capitals - Ceylon Cold Stores PLC

	Engagement Process	Material Aspects	Value Capitals	Risks	Opportunities
DISTRIBUTORS / RETAILERS	Distributor Management System (DMS) Distributor selection process Distributor convention Periodical distributor / retail market audits and visits Trade monitoring surveys on Cooler and Freezer purity	Offer reasonable margins to achieve acceptable returns on investment for distributors Building long term ethical and professional relationships Credit limits in par with industry standards Reaching the end consumer in an efficient and sustainable manner	SOCIAL & RELATIONSHIPS	Price abuse by retailers Sale of expired products Fraud and misappropriations Natural disasters Default risk	Explore new markets and channels Access to market intelligence as an input to strategy formulation Forward integration to form joint venture franchise operations
SUPPLIERS	Periodical on site visits and audits Ethical and professional supplier selection process Ongoing dialogues through formal meetings, emails, telephone communication	Ontime payments within credit period Stability and continuity of business Enhanced competencies Providing financial assistance to expand and improve Operations	SOCIAL & RELATIONSHIPS	Breakdown of supply chain due to lack of quality Inconsistent Quality and suppliers Price volatility Crop failure due to natural disasters	Backward process integration Highlight the importance of shared values
COMMUNITY	Press Releases Public Events Hotline CSR Activities Social Media	Livelihood Development through improving community infrastructure Create direct & indirect employment opportunities	SOCIAL & RELATIONSHIPS	Possible disputes with regards to sharing natural resources and infrastructure	Contribute towards National development goals
GOVERNMENT	On-site surveillances Filling of Various Returns Directives and Circulars Press Releases	Fully comply with relevant regulations and guidelines in letter and spirit Contribute to the development of the Industry and Economy	SOCIAL & RELATIONSHIPS	Frequent changes to Government regulations and interpretation difficulties could result in non compliance	Partnership with Government to diversify into new ventures
ENVIRONMENTAL / REGULATOR	Incident Hotline Environmental Complaints Mechanism Regular Monitoring and Audits	Promote resource efficiency Reduce carbon footprint Improve Compliance	NATURAL	Heavy dependence on non-renewable energy Depletion of ground water resources Increase of effluents and waste Carbon footprint	Use of new technology to reduce carbon footprint

GRI-G4
G4-19
G4-20
G4-21
G4-24
G4-25
G4-26
G4-27

Strategies and Focus	Management Approach	Core Competencies	Results 2014/15
Sustainable business practices to mitigate risks and improve overall performance Expand market presence across the country by combining existing and alternate channels	Develop a result-oriented growth culture that emphasizes on knowledge transfer and skills development to promote business goal congruence	Advanced technology Business continuity mechanism Established business credentials Superior logistics Strong business relationships	Rs 1.9 billion margin paid to retailers. Rs 1.7 billion margin paid to distributors
Sustainable Supply Chain Management Practices to Improve Overall Performance Introduction of a stable pricing structure	Ensure continuous transfer of knowledge and skills development Devise suitable pricing formulae that would secure a consistent supply of high quality produce	Quality On time delivery Competitive prices	Rs 6 billion paid to suppliers Insignificant short supplies and quality issues
Livelihood development programmes to uplift the living standards of communities Provision of basic facilities to improve the living standards of the community	Community empowerment through proactive engagement with supplier communities and other social entities linked to the business	Long standing ties with the community	Indirect employment creation for 2,800 farmers Rs 17 million on CSR activities and donations
Cordial relationship with the Government	Proactive communication channel with Government and regulatory institutions External consultation support to keep abreast of the changing regulations	Long standing ties with the government	Taxes, Excise Duty and Custom Duty paid Rs 2.4 billion.
Explore alternative energy solutions Sustainable operations that manage and control the usage of water Mitigation of sound and Dust Pollution and Control of effluents Promote the efficient reuse of manufacturing waste	Greater integration of Environmental concerns as part of the day-to-day operations and engage in Sustainable initiatives to improve overall resource efficiency at all levels of the business	Technical Know-how Clear Environmental Track Record Voluntary and Statutory Compliance	Reduction of carbon foot print by 12%

GRI-G4
G4-04

Business Review

“Our legendary “Elephant House” brand remains a well-established household name that has captured the hearts and minds of all Sri Lankans”

OPERATIONAL REVIEW - CEYLON COLD STORES PLC

THE MACRO-ECONOMIC PERSPECTIVE

Sri Lanka's economic conditions did not alter much during 2014, as the country remained firmly aligned to a moderate growth model that saw the GDP expand by 7.4% for the year. The GDP per capita increased to US Dollars 3,625 in year 2014 from US Dollars 3,280 in the previous year. Inflation too remained at low mid-single digit levels throughout the year, with the year on year and annual average inflation declining to 2.1% and 3.3% respectively by end 2014, from 4.7% and 6.9% respectively at end 2013. The Sri Lanka Rupee remained stable for most of the period although towards the end of the financial year there was an upward move.

In the initial six months of the year consumer off take was constrained largely due to a spike in prices of essential agricultural products due to a prolonged drought and the subsequent flooding in most parts of the country. However we saw a gradual pick up in the second half with the reduction in electricity tariffs, fuel prices and salary increments to government servants.

FOCUSING ON OUR BUSINESS

BEVERAGE CATEGORY

Industry Overview

The domestic Carbonated Soft Drinks (CSD) market remained sluggish for a good part of the year, with consumers typically spending less in the first few months of the year. However, the final quarter offered some respite following an upswing in consumer spending which edged up industry growth culminating in an expansion of 3%.

From a marketing perspective, Carbonated Soft Drinks are perceived as a thirst quencher and consumers are known to purchase them mostly on impulse. With a wide range of brands currently available in the market, stiff competition continued to play out among key players, with international brands resorting to trade discounts and promotional offers to grow volumes.

Meanwhile as the dynamics of the industry continues to evolve, a new industry-wide trend was seen emerging during the year, driven by the demand for larger pack sizes. Subscribing to this trend, many key brands have replaced the traditional 1.5L pack with a larger 2L pack. However the trend of pricing the 2L pack at the same price as the 1.5L pack whilst offering the consumers a discount poses a serious challenge in terms of managing profitability.

Our Performance

Notwithstanding the tough market environment, the category profitability registered a 49% improvement as compared to the previous year. Despite competing with internationally acclaimed brands, our legendary “Elephant House” (EH) brand remains a well-established household name that has captured the hearts and minds of all Sri Lankans enabling Elephant House drinks to compete with international brands targeting volume growth at the expense of sustainable profitability.

The category revenue increased by 9% during the year with an overall volume growth of 3% for the year with the January – March 2015 quarter posting a double digit growth. Although the Western province was the largest contributor, all other regions also demonstrated satisfactory results for the year. The price increases taken towards the end of the previous financial year enabled the category to increase its average revenue per litre by 6%.

EGB woos Miss Universe China Finalists

Critical Success Factors; Managing Our Brands

As always, our marketing strategies and brand positioning, continue to be underpinned by the psyche of local consumers. Having understood the mind-set of the local consumers, we have leveraged our high brand equity with a range of flavours which has a track record of consumer acceptance for its taste.

Amidst this backdrop, our focus for the year was essentially to feature the diversity of flavours offered under the Elephant House brand. Meanwhile to promote the versatility of our brand proposition we extended our focus to attract varying customer segments and target different consumption occasions.

Currently our portfolio of drinks consists of 14 flavours offered in 10 pack sizes. Our packaging consists of returnable Glass bottles, PET bottles and Cans. The larger portion of volume is in returnable glass bottles.

During the year we promoted our flavours mainly through promotional activities to enhance our presence in the channels we serve and supported by mass media campaigns for Soda, Lemonade, Cream Soda and Necto. In addition a strong media communication to convey the 2 Litre offering in all flavours was also aired.

Our Cola flavour under the sub brand KIK Cola boosted its volumes significantly through the value pack strategy.

Aligning with Trends

Mindful of the evolving consumer dynamics, we extended our range by introducing a fruit flavour based Green tea with minimal carbonation during the year under the “Twistee” sub brand. The product is available in two flavours - Peach and Apple priced at Rs. 100 for a 350ml pack. These new additions to the portfolio aim to cater to the emerging trend for lifestyle Beverages in tandem with the global movement towards healthier lifestyle choices. Currently the product is available at leading supermarkets, A-grade outlets and catering establishments island-wide. Both products have shown encouraging signs of growth following the launch in July 2014.

GRI-G4
G4-04
G4-08

Business Review

Strengthening our Presence

As we strive to enrich the customer experience, strengthening our distribution network remains yet another crucial priority for CCS. While the CCS market presence extends to all regions and geographies vis-à-vis a network of over 85,000 outlets across Sri Lanka, efforts were made during the year to strategically consolidate the island-wide coverage across territories and improve the viability of the existing distributor model. Moreover, we also stepped up specific efforts to widen the outreach in the Northern and Eastern regions of the country, while actively engaging in measures to integrate these distributors in line with our professional work ethic.

Meanwhile, based on the premise that Carbonated Drinks are largely an impulse purchase that requires the product to be widely available, especially in its chilled form, in places where impulse buyers could readily purchase them. We continue to invest in bottle coolers that would enable our products to be chilled at just the right temperature, which enable customer to appreciate the ultimate Beverage.

Subscribing to Change

Research and Development continues to feature prominently in our endeavour to map changing customer demographics. Our comprehensive R & D function is a multi-layered operation, geared to bring about change in a manner that would augment our value proposition.

Meanwhile, prompted by the eco movement, we continue to refine the packaging material used for our soft drinks range, in this case the PET bottles. Ongoing research to reduce the weight of PET bottles have yielded positive results with some of these new findings being applied on a commercial scale during the year.

FROZEN CONFECTIONERY

Industry Overview

Sri Lanka's Frozen Confectionery space better known as the Ice Cream market is estimated to be 40 Million Litres with per capita Ice Cream consumption of approximately 2 litres.

Although lagging behind other regional Asian markets, Sri Lanka's Ice Cream market has experienced growth in the recent past, mainly due to the rise in per capita income and the consequent increase in disposable income leading to higher allocation for discretionary food items. Moreover, the proliferation of the number of supermarkets and other retail outlets with cold storage across the country in the recent years have made the storage and delivery of Ice Creams easier, allowing greater accessibility to a wider demographic.

In general, the Ice Cream market could be segmented into the take-home category, comprising mainly of bulk packs whilst the impulse segment is made up of cups, sticks and cones targeting out-of-home consumers. On a global scale, the impulse and novelty ranges occupy a larger segment of the market in comparison to the take-home options, although in the local market, this ratio is virtually reversed. In the domestic market scenario, the larger volume take-home packs continue to be the popular choice registering strong growth in 2014, while the growth in the impulse range hovered at mid-single digit levels throughout the year. Interestingly however in the recent past, the impulse segment has seen an upsurge in demand, indicative of the potential opportunities for growth in the coming years.

Our Performance

Being well represented in both the take-home segment and impulse range, the Elephant House Frozen Confectionery category registered a profitability increase of 48% over the previous year. To a large extent the overall volume growth and efficient cost management propelled the profitability growth. Notably, volume growth was achieved consistently throughout the year and all regions contributed to this performance indicating the brand strength and widespread acceptance across the island. The take home packs lead the way with a double digit volume increase whilst the impulse segment too posted satisfactory growth. The Elephant House ice cream category was able to further consolidate its market leadership.

Critical Success Factors; Optimising the Sales Mix

Much of our success for the year can be attributed to our diligent pursuit of the optimum sales mix, cognizant of the demand in the consumer market. Working closely to map ever-changing consumer needs, we placed a great deal of emphasis on developing our impulse offering in tandem with the emerging demand for the particular offering.

"Much of our success for the year can be attributed to our diligent pursuit of the optimum sales mix, cognizant of the demand in the consumer market."

This year too we initiated a highly focused consumer promotional drive to bolster the demand for the impulse range which again proved to be successful. The promotion was carried out over 2 months.

Following up on our strategy for premiumisation we extended the range of our take home premium segment with a new variant to have a total of 5 flavour offerings. These products sold mainly through the modern trade and A Grade outlets have now entered the hotels and restaurant channels too. Although still a niche product the growth achieved this year has been significant.

Marketing

Company has always been able to pre-empt consumer needs and trigger a proactive response vis-à-vis continuous innovation and dynamic intervention. It is how we stay ahead of the competition and continue to strengthen our core brand value. It is also the key thrust which has helped diversify our portfolio and deliver the best-fit value proposition to fulfil customer expectations, in the process earning an enviable reputation as a trail blazer in the industry.

Our efforts to capture the consumer mind-set led to the launch of two new products during the year, namely the "Kiri Pani" 2 Ltr tub and "Rocky Road" 1Ltr pack, which coincided with the Sinhala and Tamil New

GRI-G4
G4-04
G4-12

Year and Christmas season. Effectively complementing the premium range, the new Rocky Road is a high end offering on par with similar offerings presented by international brands, while the Kiri Pani tub carries an authentic Sri Lankan flavour that would appeal to the mass market in Sri Lanka.

During the year our marketing and communication activities had more emphasis on merchandising and store level communications island wide. In terms of market development activities we had consumer engagement events to promote our ice cream flavours in easy to make dessert options and drinks such as smoothies.

Strengthening Distribution Networks

The distribution of Ice Cream is dependent on the availability of freezers and an uninterrupted power supply at sales outlets. Our products have found space in the island-wide network of outlets that have the infrastructure to store ice cream. Having identified infrastructure gaps in certain areas, we took steps during the year, to extend the freezer base at a number of outlets across the country.

Having aggressively expanded our island-wide presence over the past decade and more recently in the North and East of the country, we now have over 30,000 outlets across the island that offer our products. The mobile distribution channel was also strengthened during the year, with 100 units being inducted to the existing fleet of Three wheeler units.

SUPPLY CHAIN MANAGEMENT

The manufacturing plants of carbonated soft drinks and ice creams are located in Rannala. Both factories are ISO 9000, ISO 22000 and ISO 18001 (OSHAS) compliant. All our products are Sri Lanka Standards (SLS) certified.

Whilst we have adequate capacity for bottling in glass for the medium term, the capacity for filling PET bottles needs enhancement. The option of enhancing the PET filling capacity by converting one of the existing bottling lines as a dual purpose line is being pursued.

The key KPIs of productivity and efficiency have shown improvements over the years driven by a greater awareness by both the supervisory staff and the factory workers through a cost and efficiency mindset.

The Company reaped benefits from the investments done towards the end of last financial year on a biomass boiler to generate steam required in the manufacturing process (annual saving of Rs 40 million) and a chocolate couverture plant to manufacture our own chocolate compound used in the production of some of our ice cream products (annual saving of Rs 25 million). The payback on both these investments is less than 18 months.

During the year an additional storage tank was installed and commissioned to source the entire CO_2 requirement from India which is much cheaper compared to the in-house production. Whilst this has enabled the Company to reduce the carbon foot print we have also avoided the need for commitment for significant capital expenditure as the plant was in need of a major overhaul.

As part of our sustainable cost saving initiatives we installed an air flow control system to reduce the power consumption required for PET production.

The delivery of ice cream to our distributors was reviewed and improvements were made by enhancing the delivery fleet by two higher capacity trucks combined with a rationalisation of delivery routes.

A new sewerage treatment plant with a modern membrane bio reactor is currently under installation. This upgrade was done with the aim of recycling the treated water to be used in cooling towers and janitorial related activities.

Sustainable Sourcing

The continued efforts by the Company to enter into forward supply contracts, with suppliers of key raw materials both imported and local, once again enabled the Company to minimize the impact of global price volatilities whilst ensuring a constant supply. Since global sugar prices were on a declining trend we entered into short term contracts. Furthermore reduction in global oil prices and energy costs enabled us to source packing materials at prices lower than last year in the 3rd and 4th quarter of the year in review.

To uphold our reputation for quality and consistency, we remain committed to engage in sustainable sourcing methods that minimise potential gaps in the supply chain and ensure an uninterrupted supply of high-quality raw material for our requirements. Many of the raw materials used for our products are sourced in this manner, including the Ginger for our signature drink EGB. To preserve the unique taste and distinctive flavour of EGB, we continued to source only authentic Sri Lankan Ginger from selected traditional ginger farmers.

We continue to source most of our agri-based ingredients locally, where we have developed mutually beneficial relationships with local farmers across the island. We continue to engage with these farmer communities through our farmer-out grower programmes with the aim of developing a sustainable source of raw material for the future. These efforts are captioned in more detail on page 68 of this report.

To maintain the taste and texture of our Ice Creams, we do purchase some of our ingredients from overseas and continue to procure the required materials only from internationally accredited sources, with whom we have established successful relationships over a number of years.

Labelling and Customer Communication

Given the sensitive nature of the food and Beverage sector, we have always worked cognizant of the statutory guidelines applicable to our industry. As such we adhere to the government mandated labelling policy for all our products. Our transparent disclosures ensure that the customer is given the opportunity to make an informed decision at all times. Moreover, we comply with and conform to all applicable laws governing mass media and promotional publicity.

All customer communications follow the same underlying principle, where we strive to illustrate a true and unbiased account of our value proposition.

GRI-G4
G4-08

Business Review

Following a series of regulatory changes that came into effect in December 2014, we increased the information contained on the labels of the Elephant House Ice Cream containers to identify if product contains natural or artificial flavourings.

OUR EXPORTS

The Company has been exporting ice creams to the Maldives now for well over a decade and during the year we further consolidated our market position in the Maldives. The regular range as well as the Premium range, both marketed under the trademark Elephant House brand remained a popular choice among consumers in Maldavian market and the brand has been able to secure a significant share of the Maldavian market.

We continue to export our Elephant House Beverage products to 23 countries mostly in Europe and Middle East. This is largely to satisfy the demand for our products by the Sri Lankan expatriate community in those regions.

ACCOLADES AND AWARDS

- Gold Award for Best Annual Report (Food and Beverage Companies) of the Institute of Chartered Accounts of Sri Lanka Annual Report Awards 2014. This is the 7th occasion in the last 8 years that the Annual Report of the Company has won the Gold award.
- SLIM Nielsen Peoples Award – FMCG Beverage Brand of the year 2015 – Elephant House Cream Soda. This is the 9th consecutive year that this award has been won by the Company.
- Bronze Award (Manufacturing Sector Large Scale) for Social Dialogue and Workplace cooperation 2014 organised by the Department of Labour.

Outlook

The per capita consumption of carbonated soft drinks and ice creams in Sri Lanka currently stands at approximately 8 Litres and 2 Litres respectively; well below the corresponding regional averages, demonstrating the significant potential for the continued long term growth of this industry. Furthermore, increases in disposable incomes and the encouraging trend in consumer sentiment is likely to be maintained in the short to medium term and lead to an increase in demand for non-essential items, where demand is income elastic. Emerging trends in consumer preferences for health and nutritional products also provide for a number of growth opportunities.

The Frozen Confectionery business will look to expand its product portfolio with greater focus on the impulse range to capture an emerging consumer base. Facilitated by rising incomes and cheaper access to modern communication tools, there also appears to be a shift towards 'premiumisation', where Sri Lankan consumers are becoming more brand conscious. CCS will look to strengthen its position in the premium ice cream range, while competition is also expected to increasingly focus on this product segment. The Frozen Confectionery business will also work towards extending its customer reach by investing on the expansion of freezer capacity and strengthening its mobile distribution channel.

The growth potential for the Carbonated Soft Drinks industry will be constrained to an extent due to the growing segment of health conscious consumers. However, opportunities for growth within the Beverage industry as a whole remain promising. We will focus on extending our Beverage portfolio both in terms of the target market and consumption occasions. Research and development initiatives will be implemented to facilitate the use of natural flavours and colours when re-inventing existing products and introducing new products to the market. Further steps will also be taken to consolidate the existing distribution network and improve efficiencies where possible.

OPERATIONAL REVIEW - JAYKAY MARKETING SERVICES (PVT) LTD

RETAIL

Jaykay Marketing Services (Pvt) Ltd (JMSL) our wholly owned Subsidiary, under which the Keells Supermarkets chain operates, had a successful year largely driven by a strong foot fall growth on a same store basis.

The prolonged drought across the country and the subsequent heavy rainfall leading to floods in the third quarter caused significant damage to crops resulting in a shortage of paddy, vegetables and fruits that resulted in a spike in prices in these commodities. However the last quarter under review saw the Government implementing several measures to increase disposable income such as lowering the electricity tariff and price of fuel whilst the Government servants were granted salary increases.

Several key strategies that the Company rolled out during the year were to focus on the freshness and quality of fresh produce, extend value offers to our customers, enhance the offerings from the in-store bakeries and further improve on our customer service. Many of these initiatives during the year were supported by a marketing campaign featuring our brand ambassadors - Kumar and Yehali Sangakkara.

Outlets Opened During the Year

During the year four new large format outlets were opened in the suburbs of Colombo. All of them have performed above our initial estimates and customer feedback on the new outlet format has been both complimentary and reassuring. The Company envisages that all new outlets planned to be opened during the next financial year will follow the same model.

Operational Improvements During the Year

JMSL invested in a comprehensive remerchandising programme in the financial year 2012/13. The customer response to the changes introduced through this programme has been very positive and this has been translated into double digit same store revenue growth during the past two consecutive years. Operational improvements introduced as part of the remerchandising programme in the areas of store operations, category management, and distribution and logistics continue to help the Company to get the “offer right” for the customers whilst yielding better financial results.

“Several key strategies that the Company rolled out during the year were to focus on the freshness and quality of fresh produce, extend value offers to our customers, enhance the offerings from the in-store bakeries, and further improve on our customer service.”

During the year JMSL continued to invest in operational improvements. We invested in a Modern Distribution Centre for Vegetables, Fruits and Fish to ensure the stores receive top quality fresh produce as early as possible. The layout of this facility is arranged in a manner to derive maximum efficiency in both receiving, sorting and shipping out to the stores by early morning.

During the year we also implemented changes as to how vegetables are displayed in the store. As opposed to the common method of displaying vegetables in display chillers, JMSL embarked on displaying fresh vegetables on the shop floor without being refrigerated. This is a testimony to the freshness of vegetables that is coming through the efficient supply chain as well as efficiency in handling in the store. Furthermore, customers are delighted by the freshness of the vegetables offered and post purchase loss is minimal.

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

JMSL also launched the new self-service bakery concept during the year. Though still at rollout stage the customer feedback from stores where the initiative has been implemented has been positive. Our customers appreciate the ability to pick and choose the bakery products they wish to purchase and the comparatively faster checkout. Together with the new range of items offered by the bakeries, this new initiative has had a positive impact on the customer perception of the Keells Super brand. JMSL intends to rollout this initiative to all outlets where in-store bakeries are available by the next financial year.

During the year under review three of the older outlets were closed down. The decision to close these loss making outlets was arrived at after a period of review and subsequent to various initiatives and measures taken to revive the concerned outlet. Staff at all these outlets were transferred to fill vacancies at existing outlets and also to fulfil the requirements of the new outlets.

Acquisition and Subsequent Amalgamation of Nexus Networks (Pvt) Ltd

In August 2014 the Company acquired 100% ownership of Nexus Networks (Pvt) Ltd (NNL) from John Keells Holdings PLC for a consideration of Rs.48 mn. Subsequent to the acquisition, NNL was merged with JMSL on 19th February 2015 after receiving the necessary approvals to fully realise the synergies of the two Companies.

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

Launch of Nexus Mobile

In September 2014, NNL launched the Nexus Mobile platform and by 31st December 2014 had fully migrated to the new platform. The new system works with the customers' mobile number as the primary method of identification. However, a token card is also issued to members in case their preference is for such a mean of identification. Along with this change the entire network infrastructure was upgraded to ensure data security, speed of transactions and better communications for our loyalty programme members.

NNL was able to successfully complete the migration by 31st December 2014. We note with satisfaction that the active member base has increased significantly since this migration. This has had a positive impact on Keells Super as the percentage of total transactions and value via the Nexus programme has increased by 50% and 30% respectively.

Nexus and Super Saver Offers

The increase in our Nexus customer base has meant that many of our customers now benefit from the monthly "value" offers which range from 20% to 25% discounts on selected products.

The "Super Saver" offers where discounts of 10% and upwards are given on a range of products is extended and enjoyed by all the customers.

In addition our customers also benefited from several other discounted offers which were extended in collaboration with several credit card companies.

Developing a Great Staff

JMSL continues to invest in its staff through various training programmes to ensure that they maintain and improve their service standards. JMSL operates a fully-fledged training academy where all new recruits are trained on basic skills of retail operations and in providing excellent customer service. Training programmes are closely tied to the Keells Super Service Blueprint where key deliverables in terms of service delivery and retail best practices are documented in detail.

Nexus Mobile

Pulse of Your Lifestyle

Keells Super obtains important feedback on various aspects of their service and product offerings through customer surveys on a regular basis as well as by "mystery" customer surveys. It is heartening to note that in most of the customer related KPI's we have seen consistent improvement and in many areas Keells Super was rated above our competition.

One of the significant challenges faced by JMSL is to retain staff at Customer Service Assistant (CSA) and cashier level and as such the resulting staff turnover at this level continues to be high despite our efforts.

Marketing Campaigns

Keells Super launched a media campaign focusing on the quality and freshness of vegetables, fruits and fish and superior quality of in-store bakeries featuring our brand ambassadors, the iconic Sri Lanka cricketer Kumar Sangakkara along with his wife Yehali. The campaign was to communicate the quality and freshness of fresh produce on which Keells Super has focused intensively during the past couple of years. It also talked about the quality of in-store bakeries that are not matched by the competition and the superior quality top crust bread, dubbed "Kade Paan", offered by the bakeries. This campaign was well received from customers and subsequent studies confirm the above average top of mind recall of these advertisements.

Only Retailer to Obtain SLS Certification

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

> *"Keells Super became the first retail chain to obtain a Certificate of Conformity from the Sri Lanka Standards (SLS) Institute for the Supermarket Management System."*

VAT Implication – 2014 and 2015 Budgets

The 2014 Budget placed a restriction of 25% as the maximum amount of turnover that could be exempted from VAT by wholesalers and retailers effective 01st January 2014. This resulted in a substantial impact to JMSL as the actual exempt turnover was close to 40%.

As per the above restriction the difference between the actual exempt turnover and the maximum exempt turnover limit (40% - 25% = 15%) was to be considered as deemed liable turnover and chargeable to VAT.

The 2015 Budget mandated that the sale of liquor and tobacco effective 25th October 2014 would also be exempted from VAT. Prior to this budget proposal the sale of liquor and tobacco amounted to 10% of the sale. However the authorities allowed the sale of locally produced fresh milk to be excluded from the calculation of deemed liable VAT. After the above changes the total exempted sale of JMSL increased to 47% which resulted in 22% of the turnover being liable for deemed liable VAT.

The impact due to the deemed liable VAT during the year amounted to Rs. 339 million (2013-14 Rs. 61 million).

Performance for the Year

JMSL recorded a strong revenue growth of 21% during the year with the same store revenue showing strong growth. This is the second consecutive year that has seen the same store revenue growing by double digits largely through increase in customer footfall. This is no doubt a testament to the value and service proposition that Keells Super Keells chain offers the customer. During the year the average basket value (ABV) was marginally above the rate of inflation.

Despite the significant financial impact due to the deemed liable VAT as outlined in the previous paragraph, JMSL was able to improve the gross margin compared to the previous year. This was achieved largely through stringent cost management. The growth in turnover and the management of the margin and costs enabled JMSL to post its best ever financial results posting a profit before tax of Rs. 512 million (2013-14 Rs. 181 million) representing a growth of 183% during the year under review.

Looking Ahead

We believe that increase in disposable incomes will see a further shift from general trade to modern trade which would have a positive impact on the results of the Company. We intend to build upon the various customer centric initiatives that we have rolled out in the last 2 years. We will also roll out further initiatives that will benefit our customers. We have in our pipeline several locations that have met our criteria for a suitable location to set up additional outlets and our aim is to open at least 10 new outlets each year.

GRI-G4
G4-09

Business Review

FINANCIAL PERFORMANCE REVIEW

INCOME STATEMENT

Turnover

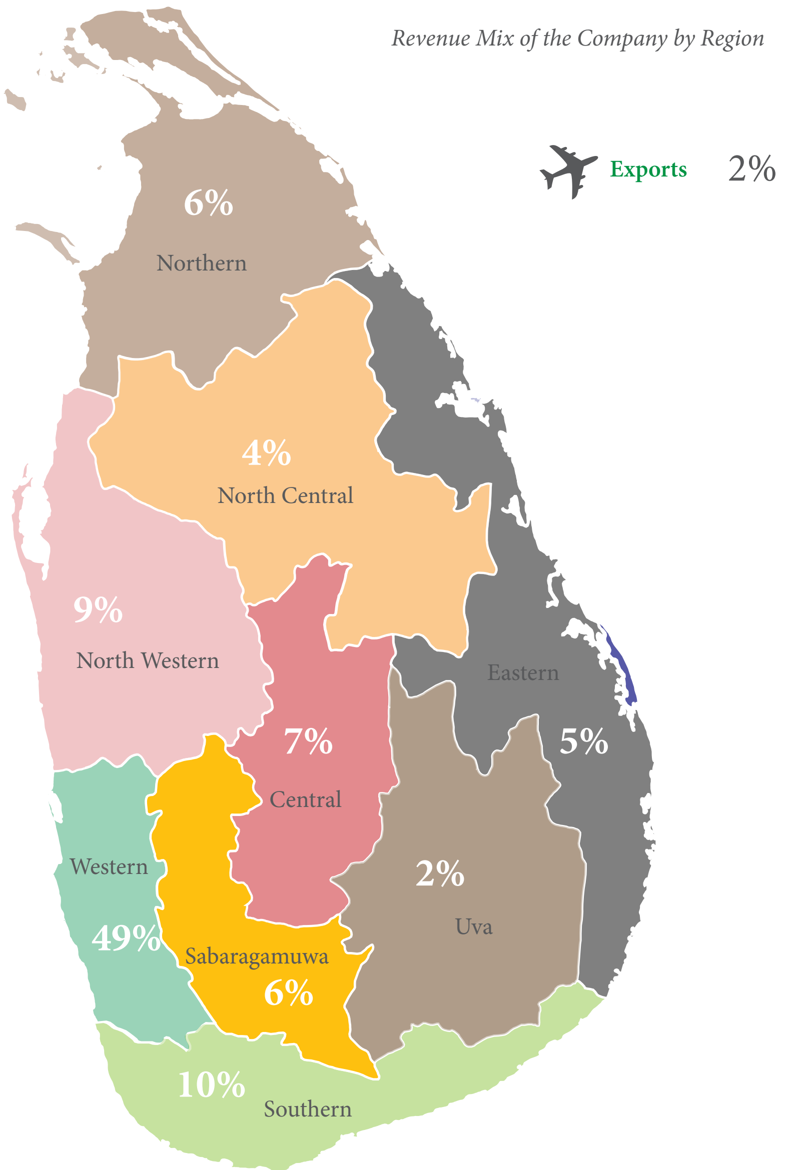
At the Company level, Turnover increased by 10% to Rs. 9.8 billion (Rs. 8.9 billion in 2013/14). The increase in turnover was as a result of both volume growth and an increase in the average selling price per litre due to marginal price increases as well as an improvement in the sales mix.

The Frozen Confectionery category posted near double digit volume growth whilst the Beverages category too managed to arrest the declining volume trend and post a lower single digit growth after a lapse of two years.

Both categories were constrained from taking any meaningful price increases as consumer disposable income was stretched in the first half of the year in review.

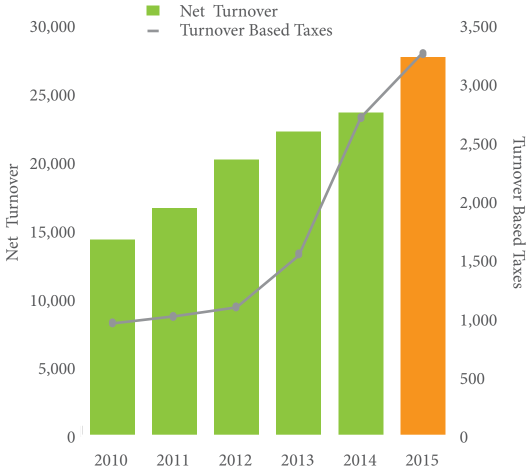
Overall Turnover at the Subsidiary increased by 21% over previous year. This sharp increase was as a result of increased customer footfall at a same store level and the incremental contribution from the new stores that were opened during the year. There was also an increase in the average basket value in line with inflation.

Revenue Mix of the Company by Region



At a consolidated level the Group Turnover increased by 17% to Rs. 27.7 billion (Rs. 23.6 billion in 2013/14).

Net Revenue & Revenue to State
(Rs. Mn)



Above chart represents Group figures

World Sugar Prices -From March 2010 to March 2015
(USD)

Cost of Sales and Gross Profit

The Company Gross Profit as a percentage of net sales increased to 34% from 30% in the previous year. This was largely as a result of cost of sales increasing by only 5% during the year whilst revenue grew by 10%. The primary reason for less than proportionate increase in cost of sales in comparison to revenue were; decline in the global sugar prices, reduction in fuel prices and electricity tariffs, concession granted for excise duty paid on Beverages produced with natural ingredients and better utilisation of the existing factory capacity.

World Skimmed Milk Powder Prices -From March 2010 to March 2015 (USD)

Business Review

The Subsidiary's store level profit which is reflected at the consolidated gross profit increased due to increase in turnover at all outlets.

It is noteworthy that this improvement was achieved despite a significant adverse impact due to the restriction of maximum amount of turnover that could be exempted from VAT by all sellers and retails to 25% by the Budget 2014. As this impact was from quarter 4 of the previous Financial Year (2013/14) the charge was limited to Rs. 61 million. However the current year was fully impacted and as a result the impact was as much as Rs. 339 million. The Subsidiary Company results were further impacted by the Budget 2015 proposal where liquor and tobacco products were exempted from VAT. This has had an adverse impact where the VAT liable sale declined to 53% from the previous of 60%. The different between the actual exempt turnover (53% in 2014/15) and the maximum amount of exempted turnover allowed (25%) is subjected to deemed liable VAT and directly affects the Subsidiary's profitability.

The consolidated gross profit increased by 30% to Rs. 3.7 billion (Rs. 2.8 billion in 2013/14).

Selling and Distribution Expenses

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

At a Company level selling and distribution expenses were Rs. 1,098 million which is a marginal increase of Rs. 27 million. Selling and distribution expenses as a percentage of net turnover at Company level was 11.2% as against 12.1% in the previous year whilst at a Group level it was 4.7% as against 5.2% in the previous year.

Administrative and Other Operating Expenses

At both Company and Subsidiary level administrative expenses increased over the last financial year. These expenses consist of payroll and related cost, expenditure on Information Technology and rental expenses. At the Company level total administrative cost was Rs. 416 million which is an increase of Rs. 38.5 million over the previous year whereas, at the Subsidiary the administrative cost was Rs. 468 million which is an increase of Rs. 51.4 million. The induction of new outlets to the system invariably results in an increase in costs.

Other operating expenditure consists of NBT, product spoilages, wastages and expiry in the retail market and losses in the disposal of non-current assets.

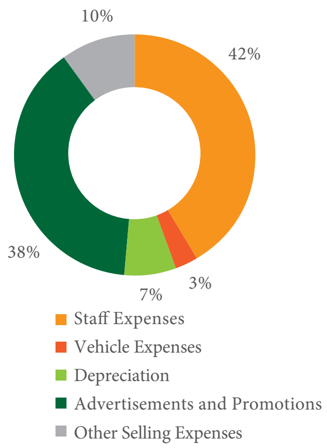
At the Company level other operating costs were Rs. 256 million which is a 16% increase over last year. A significant portion of this increase in cost is as a result of the provisioning for slow moving engineering spare parts.

At a Group level the other operating cost was Rs. 509 million which is an increase of 20%. A significant portion of this increase was as a result of increased NBT paid on turnover by the Subsidiary as a result of increase in revenue and other income.

Net Turnover and Gross Profit
(Rs. Mn)

Above chart represents Group figures

Composition of Selling and Distribution Expenses



Above chart represents Company figures

Finance Cost and Interest Cover

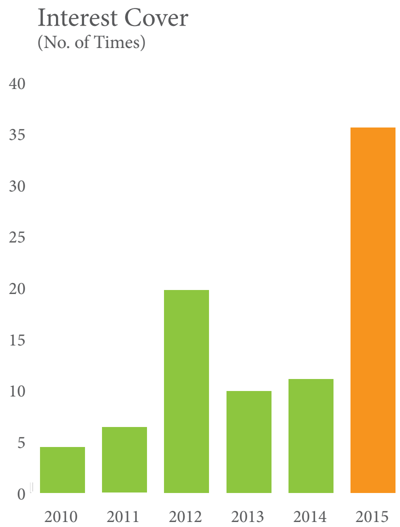
Interest rates declined gradually throughout the year under review. Both the Company and the Subsidiary benefitted by attracting low interest rates from financial institutions as a result. Favourable interest rates with low premiums compared to SLIBOR were obtained from financial institutions, leveraging on the financial strength of the Company and the improved performance of the Subsidiary. Utilisation of an ideal trade-off between fixed and floating interest rates ensured that the financial impact due to volatility in capital market was mitigated.

Cost of financing at the Company level decreased to Rs. 23.6 million (Rs. 56.0 million in 2013/14) due to lower interest rates, availability of excess cash generated through operations and the reduction in long term debt.

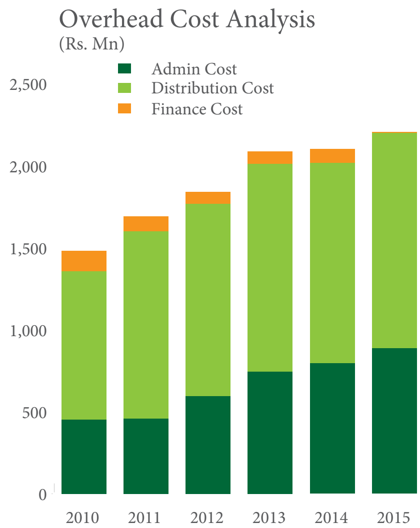
At the Subsidiary too finance cost at Rs. 36. 9 million is a reduction of Rs. 26.8 million from the previous year. This is largely as a result of cash generated through business growth.

At a consolidated level the Group interest cost declined to Rs. 60.5 million (Rs. 119.7 million on 2013/14).

The Group interest cover improved to 35.6 times (11.1 times in 2013/14) whilst at the Company level it was 67.8 times (19.4 times in 2013/14).



Above chart represents Group figures



Above chart represents Group figures

Profit from Operating Activities Before Tax

At a Company level profit from operating activities during the year was Rs. 1,601 million. The comparative profit in 2013/14 was Rs. 1,085 million after excluding the gain from the surrender of lease rights as the gain from fair value of investment property. Therefore the operational profit for the year is a 48% improvement from the previous year and this has been facilitated by an excellent performance by both the Beverage and the Frozen Confectionery categories.

The Subsidiary posted a profit before tax of Rs. 512 million which is a 183% increase over the previous year's figure of Rs. 181 million. This significantly improved performance is despite the negative impact on account of deemed VAT and the exemption of Liquor from VAT.

The consolidated profit before tax was Rs. 2,147 million as compared to Rs. 1,545 million in the previous financial year.

Change in Fair Value of Investment Property

Fair value of the freehold land situated in Trincomalee increased by Rs. 8.98 million during the year in review whilst in 2013/14 there was a gain of Rs. 71.80 million from the freehold land held in Glennie Street and Justice Akbar Mawatha, Colombo 2.

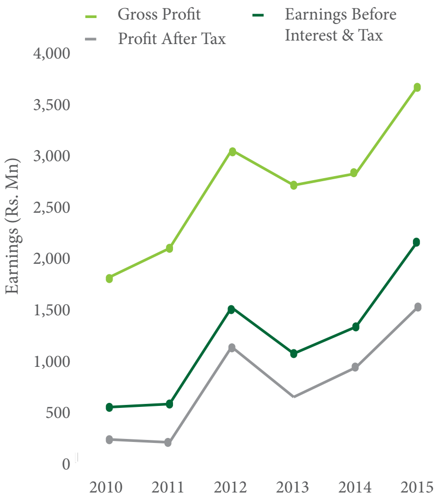
Business Review

Taxation

The tax charge for the year at Company level was Rs. 452.0 million Effective tax rate was 28% as against 16% in the previous year.

The decrease in the effective tax rate in the previous financial year is largely on account of the Rs. 366 million gain from the surrender of lease rights and the gain of Rs. 72 million from the change in fair value of investment property in 2013/14 not being chargeable to tax.

Earnings
(Rs. Mn)



Above chart represents Group figures

The tax charge of the Subsidiary was Rs. 158.4 million (Rs. 88.1 million in 2013/14).

The income tax charge at a consolidated level for the year was Rs. 621.1 million (Rs. 327.5 million in 2013/14).

STATEMENT OF FINANCIAL POSITION

Shareholders' Funds

Shareholders' funds at a Company level increased to only to Rs. 10.6 billion as compared to Rs. 10.4 billion despite generating a profit after tax of Rs 1.2 billion due to the dividends paid amounting to Rs 1.0 billion during the year. At the Subsidiary, shareholder funds amounted to Rs. 1,180 million as opposed to Rs. 810 million in the previous financial year end. This improvement is in line with the increased profitability posted by the Subsidiary.

As at the reporting date the total shareholders' funds at a consolidated level was Rs. 10.7 billion (Rs. 10.0 billion in 2013/14).

Asset Base

During the year the Company invested Rs. 182.9 million (Rs. 522.7 million in 2013/14) on capital expenditure. Investments were made on purchase of plant and machinery to facilitate the flexibility required in production to manufacture different pack sizes in demand, expansion of freezer truck fleet to distribute Frozen Confectionery products, bottle coolers and ice cream freezers to assist market penetration of our products. Investment in two storage tanks was made to unload the food grade carbon dioxide imported from India at a rate cheaper than the in-house production. The total depreciation charge for the year in review was Rs. 457.0 million (Rs. 439.5 million 2013/14).

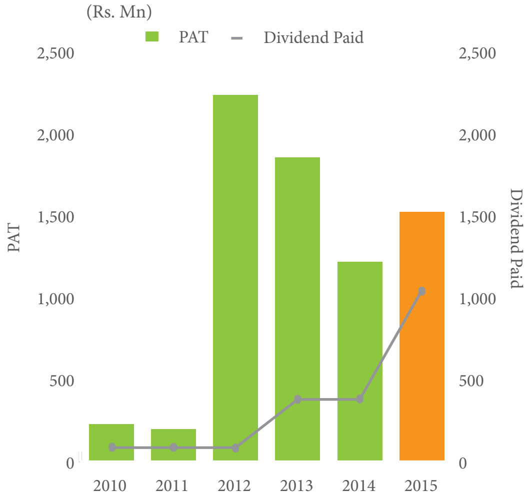
At the Subsidiary capital expenditure was Rs. 466.3 million (Rs. 493.2 million in 2013/14) during the financial year. A significant portion of the expenditure was to set up four new large scale super markets. The depreciation charge for the year was Rs. 236.3 million (Rs. 225.6 million in 2013/14).

Current Assets of the Company increased by Rs. 670.8 million mainly due to increase in short term investments in government securities less than 3 months, inventory and trade receivables.

Current assets of the Subsidiary increased by Rs. 204 million due to increase in inventory, pre payments, cash and bank balances. Trade receivable reduced by Rs 18 million.

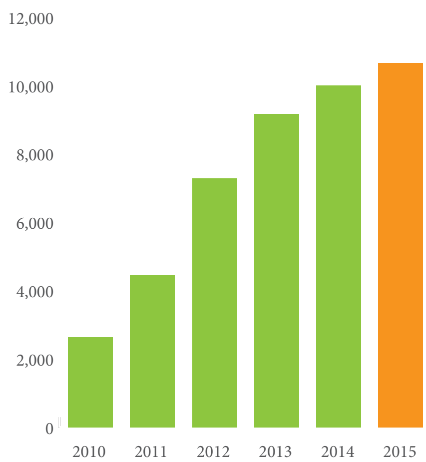
At a consolidated level the Group total asset base increased by 6.0% compared to last financial year from Rs. 15.6 billion to Rs. 16.5 billion.

Profit After Tax and Dividend Paid
(Rs. Mn)



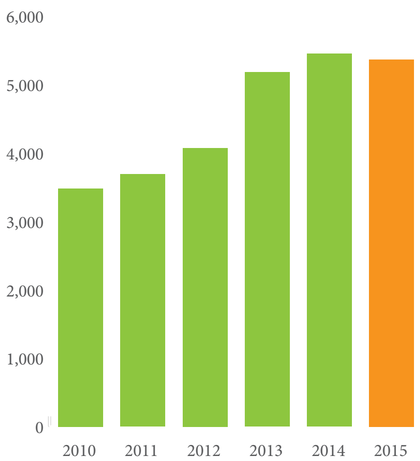
Above chart represents Group figures

Shareholders Funds
(Rs. Mn)



Above chart represents Group figures

Property Plant and Equipment
(Rs. Mn)



Above chart represents Group figures

CASH FLOW AND LIQUIDITY

The key sources of finance of both the Company and the Subsidiary during the year was cash generated from operating activities. The adequacy of liquidity to service debt, meet future working capital requirements, capital expenditure and dividend payment requirements were ensured.

With the assistance of the treasury division of John Keells Holdings PLC and based on the policies and procedures approved by the Board of Directors, the Company and the Subsidiary operate their own treasury functions to ensure and to maintain the required liquidity. The exposure to different types of risks such as market risks, effects of changes in foreign exchange rates, interest rates risks and liquidity risks are effectively addressed by the treasury division. As to how these risks are being managed are described on pages 126 to 127 in detail. The whole purpose of the treasury division is to ensure that appropriate and adequate finance is in place to assist the smooth functioning of the business while managing value adding investments at the same time. Both the Company and the Subsidiary benefited by the service provided by the Treasury division at a low cost in a timely manner.

Cash flow from operating activities inclusive of working capital changes of the Group increased to Rs. 2.8 billion (Rs. 1.8 billion in 2013/14) mainly due to proliferation of operational profit. There was an improvement at the Company level from Rs 1.6 billon in the previous year to Rs 1.8 billion in this year.

Cash flows expended on financing activities at the Company level were to pay dividends to ordinary and preference shareholders and repay long term debts. There was no additional long term borrowing during the year by the Company.

The Group had surplus cash and cash equivalents of Rs 265.7 million over borrowings inclusive of bank over drafts. Previous year borrowings exceeded cash and cash equivalents by Rs 887.4 million. Excellent operational performance in 2014/15 has contributed towards the generation of surplus cash.

At Company level the gearing ratio was 2.7% (4.0% in 2013/14) and at Group level it was 6.7% (14.5% in 2013/14).

Both the Company and its Subsidiary confirm that financing arrangements are in place at sufficient levels to manage the working capital requirements in the foreseeable future.

Liquidity and Borowings
(Times)

Above chart represents Group figures

Shareholder Value

Delivering shareholder value through the achievement of sustainable, capital efficient and long term profitability growth is the primary objective of the Group.

The basic earnings per share (EPS) for the Group was Rs. 16.05 (Rs. 12.81 in 2013/14).

The Company's share price as at 31st of March 2015 was Rs. 298.20 (Rs.140.70 in 2013/14). The share price moved within a range of Rs. 300.00 to Rs. 141.00 during the year.

The Group net assets per share at book value stood at Rs. 112.12 (Rs. 105.22 in 2013/14) while at Company level it was at Rs.111.73 (Rs. 109.77 in 2013/14).

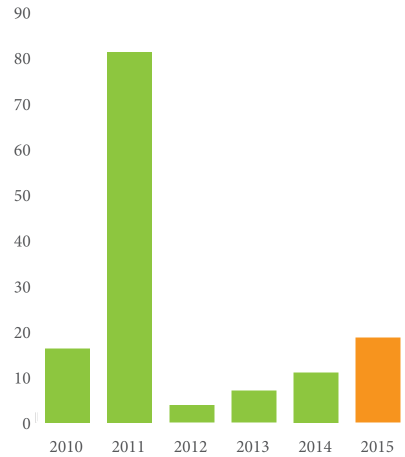
The market capitalisation was Rs. 28.3 billion as at 31st of March 2015 (Rs. 13.4 billion as at 31st of March 2014).

Business Review

Market Capitalisation Vs. Share Holders Funds(Rs. Mn)

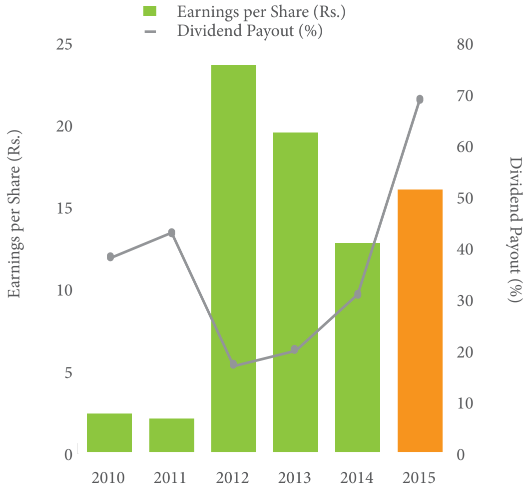
Above chart represents Group figures

Price Earnings Ratio
(No.of Times)



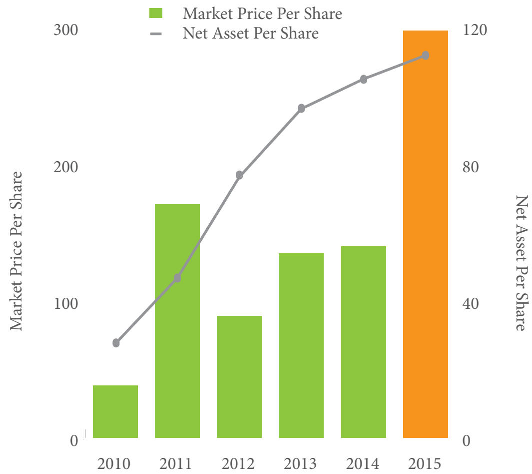
Above chart represents Group figures

Earnings Per Share Vs. Dividend Pay Out %



Above chart represents Group figures

Net Asset Per Share Vs. Market Price Per Share
(Rs.)



Above chart represents Group figures

ROCE

FY 2013/14 - 11.95%
FY 2014/15 - 18.88%

Assets/ (Debt+Equity)
FY 2013/14 - 1.37
FY 2014/15 - 1.41

Asset Turnover
FY 2013/14 - 1.55
FY 2014/15 - 1.73

EBIT Margin
FY 2013/14 - 5.61%
FY 2014/15 - 7.78%

Above represents Group figures

Return on equity (ROE) for the Group increased to 14.62% and for the Company to 11.09% (9.69% and 8.16% respectively in 2013/14 excluding gains from surrender of lease rights and change in fair value of investment property).

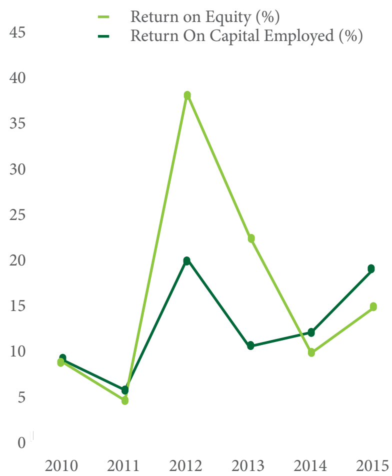
Return on capital employed (ROCE) for the Group increased to 18.88% and at a Company level to 14.72% (11.95% and 10.33% respectively in 2013/14 excluding gains from surrender of lease rights).

A total dividend of Rs. 11.00 per share (Rs.4.00 per share in 2013/14) amounting to a total pay-out of Rs. 1.0 billion (Rs. 380 million in 2013/14) was paid during the year.

PROFITABILITY DECOMPOSITION OF THE GROUP

ROCE has improved to 18.88% at a Group level against last year's 11.95% excluding gains from surrender of lease rights.
The improvement in the EBIT Margin has contributed to the ROCE improvement.
Asset utilisation has increased, as a result of the revenue growth achieved by both the Company and the Subsidiary.

ROE Vs ROCE

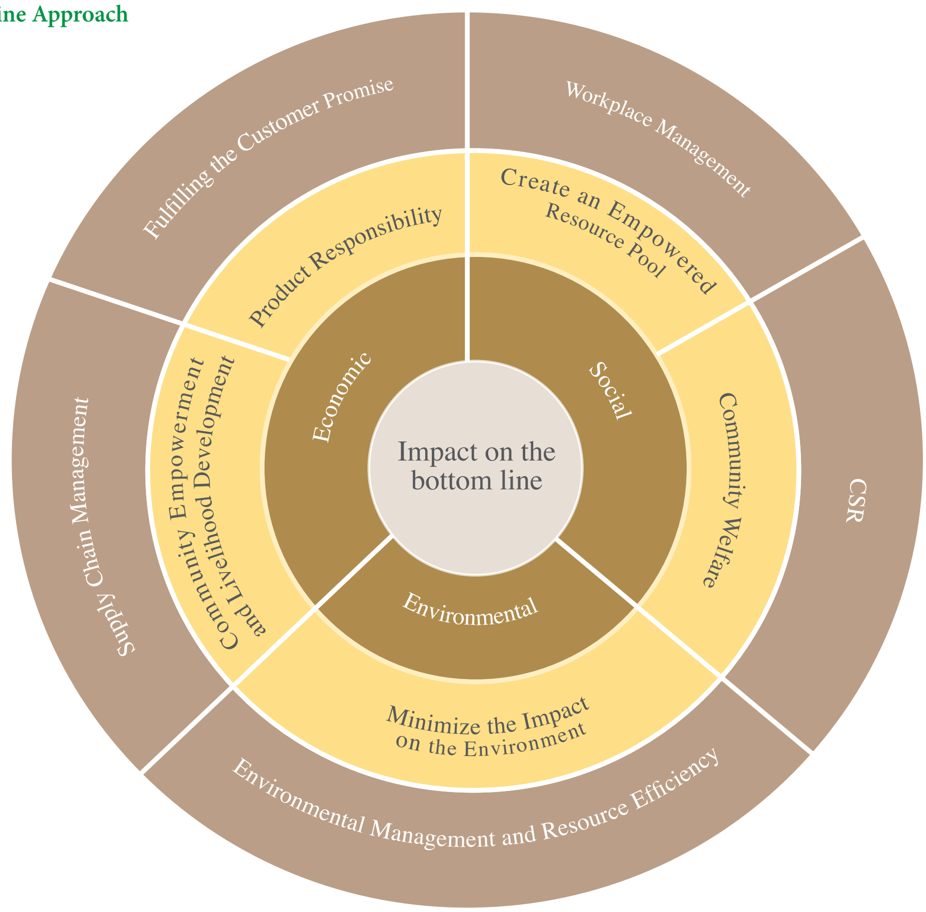


Above chart represents Group figures

GRI-G4
G4-15
G4-HR5
G4-HR6

Business Review

Our Triple Bottom Line Approach



MANAGING HUMAN CAPITAL

Our Management Framework

As a manufacturing organisation providing employment to 950 personnel, Ceylon Cold Stores PLC (CCS) recognises its responsibility to its workforce in ensuring a safe workplace with an enabling environment and culture for employees to reach their full potential, encouraging innovation and sound employer employee relations. CCS believes that such an environment would be a catalyst for world class performance bringing about competitive advantage through higher productivity, efficiency and customer focus.

Keeping in line with the above focus, CCS HR policies and management frameworks are in compliance with all relevant labour statutes and for the most part, are aligned to internationally recognized standards that promote fair and equitable labour practices and good governance mechanisms for the management of the human resources.

We have always adhered to and strictly enforce child labour laws. CCS adheres to the Ultimate Parent Company policy of not employing anyone under the age of 18 years, a standard more stringent than that stipulated by Sri Lankan law and regulations. Further, we do not accept or condone any aspect of forced labour as we believe, employees choose to work for us at their own discretion and we cannot force them to remain in our employment. Moreover, we do not discriminate against any employee based on their ideological views, race, colour, religion, gender, sexual orientation, age, disability or any other status protected by law. We communicate this policy to our direct suppliers, licencees and joint ventures, and we include a clear contractual obligation to meet these requirements as an ongoing condition of our business relationship as well as carry out periodic assessments of key value chain partners for sound labour and environmental practices adopted by them in providing goods and services to CCS, based on checklists and frameworks adopted by the Ultimate Parent Company. Further we have institutionalised a process by which sexual harassment of any form could be brought to the notice of the management for redress. This measure has been taken to facilitate dignity of work of all our employees, free of harassment of any form, and to create safe working conditions.

CCS Fundamental HR Principles

- Promote Equality and Diversity in Recruitment, Retention and Promotion
- Say NO to Child Labour
- Say NO to Forced or Compulsory Labour
- Uphold Human Rights of the Workforce
- Allow Freedom of Association and Collective Bargaining
- Performance Evaluation and Structured Career Progression
- Training and Empowerment

KEY INITIATIVE TO IMPROVE WORKPLACE COMMUNICATION:

Climate Survey Conducted for CCS Workers/Staff

Overview: CCS conducted a climate survey in collaboration with the Employers' Federation of Ceylon (EFC) with the participation of over 94% of the factory workers and staff. The exercise was meant to gauge employee perceptions and opinions on certain key aspects of the Company's HR framework, which would then be used as a guideline to enact further improvements to the HR management philosophy.

Overall Results

	% "Moderate to High" Satisfied Employees
Organisational Pride	93%
Interpersonal care	76%
Communication and Coordination	75%
Quality of Supervision by line Managers	67%
Training	65%
Recognition	48%

Recommendations

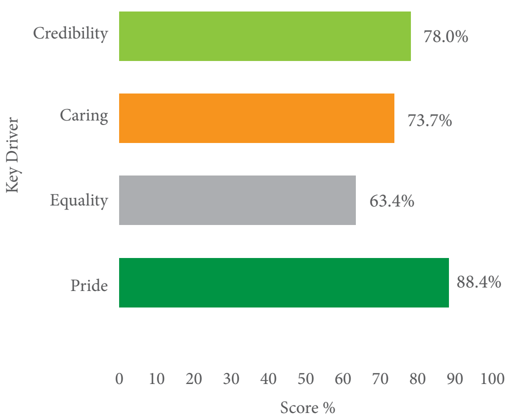
1. To implement a one year program under the theme "Social Dialogue and Workplace Cooperation". The programme, which would be conducted at the factory, would seek to change employee attitudes and build their commitment by training them on the effective use of Workplace Dialogue.

2. A simultaneous one year soft skills development programme to enhance people management skills of junior executives, line executives and assistant managers at the production plant to help develop more proactive work ethics.

Climate Surveys Conducted for Executive and Above Employees

Voice of Employee survey was conducted during the year under review with randomly selected 116 executive and above employees to get visibility on how they perceive the organisation in terms of credibility, caring, equality and pride. It was identified that only 63% of the respondents believe that they are equally treated. Management has taken action to strengthen the performance management system in order to address the above concern.

Graphical Overview of Key Drivers - CCS



Voice of Employee Survey Results 2015 - CCS

GRI-G4
G4-10
G4-LA12

Business Review

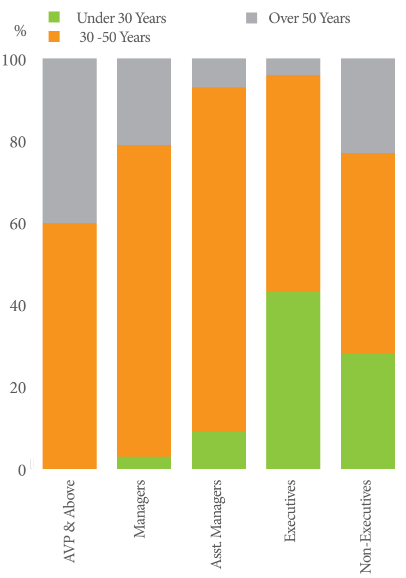
Nature of Activity:	**“Great Place to Work” (GPTW) Survey**
Date:	2014
Purpose:	To gauge employee attitudes regarding the CCS work environment
Scope of Activities:	Questionnaires, Focus Group sessions
Sample Size:	Comprising of all Staff grades above the Executive level + Sales Representatives
Response Rate:	81.2% (71.8% in 2010)
Results:	Trust Index 56.3 (56.4 in 2010)
Strengths:	Pride, Camaraderie Respect and Fairness
Weaknesses:	Credibility, lack of fun activities
Proposed Changes:	A detailed action plan was drafted based on the feedback was implemented.

Key Statistics - CCS

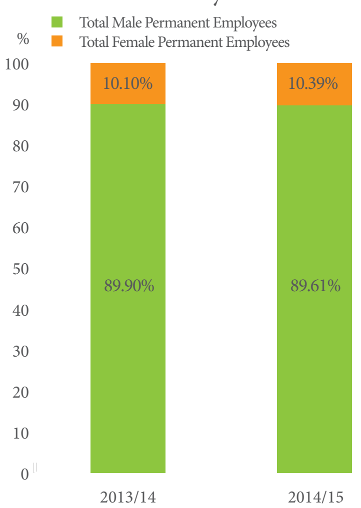
Employees by Category	2012/13	2013/14	2014/15
Assistant Vice President and above	12	12	10
Managers	34	30	33
Assistant Managers	69	66	68
Executives	98	101	100
Non-Executives	759	738	739
Total Employees	972	947	950
Permanent employees as a percentage of total employees	97%	98%	98%

Personnel Engaged in Outsourced Services - CCS	2012/13	2013/14	2014/15
Janitorial services, security personnel etc.	70	78	75

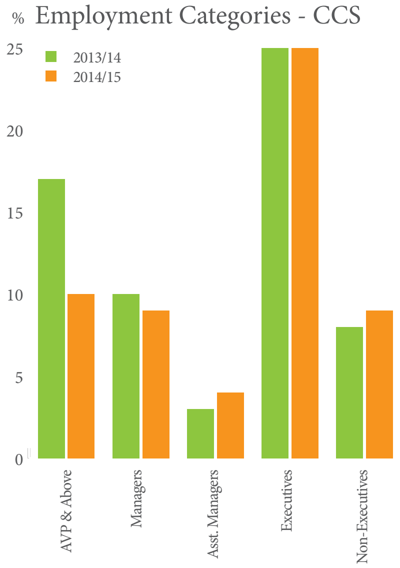
Employee Diversity 2014/15 - CCS



Gender Diversity - CCS



Female Representation Within Employment Categories - CCS



GRI-G4
G4-LA2

Remuneration Policy

While our basic salary structure is in accordance with market standards for industries within our sector and relative worth of each job, given our results oriented culture, all other remuneration systems are based on a matrix of performance of employee and Company. In addition to their fixed salaries, which are governed by collective bargaining agreements or individual employment contracts, our employees are compensated by way of variable remuneration components that depend on their individual job performance and the success of the Company. Apart from the fixed salaries and variable remuneration, based on the talent and the potential, assistant managers and above employees are compensated by employee share option plan.

Employee Benefit Structure - CCS

- Salary
- Attendance Bonus
- Productivity Incentive
- Annual Bonus
- Free Meals
- Uniforms
- Annual Profit Sharing Payment
- Dispensary Facility with a Doctor and Free Medicine
- Free Transport
- Critical Illness Insurance
- Surgical and Hospitalisation
- One Crate of Soft Drinks per month

GRI-G4
G4-11
G4-LA4
G4-LA7
G4-LA8
G4-LA10

Business Review

Employee Relations Policy

Having been in the business for over 150 years, CCS has a history of caring for its employees, where our leadership principles define guidelines for members of the management that include the respectful treatment of colleagues and the creation of a strong feedback culture. The Company culture promotes working collaboratively with employees, at cross levels, to ensure the mutual benefit of both parties.
Among other things, we make sure that the working conditions at our plant stays non-discriminatory, while conducting fair discussions with employees and employee representatives in good faith, to ensure the better conditions for all our employees.

We believe that freedom of association does not impact an employee's capacity to perform his or her job. We understand the right of each employee to decide if they wish to join or not join associations or labour trade unions and respect their ability to make an informed decision, free of coercion. Employees have the right to organise, join associations and bargain collectively, if they so desire.

59%	Employees covered by collective bargaining agreements
0	Lost days / work stoppages due to industrial disputes

"All major operational changes impacting employee working conditions and well-being are discussed with union leaders before implementation."

Occupational Health and Safety Policy

With the majority of our workforce based at our manufacturing plant, occupational health and safety remains a key concern for CCS. Our occupational health and safety mechanism is a preventative measure that aims to minimise the risk of accidents and injuries, as well as reduce the risk of occupational illnesses that may arise as a result of our business. Underpinned by the "Safety First" philosophy, we adopt a top-down approach, where safety concepts are initiated by the Safety Committee and cascaded down to all levels of the factory floor. Further, our processes are strengthened by the internationally accredited OHSAS 18001 standards for Occupational Health and Safety management.

Purpose of Establishing a Safety Committee:

1. To promote and maintain the interest of employees in health and safety issues.
2. To educate managers, supervisors and employees through awareness and training activities that they are primarily responsible for the prevention of workplace accidents.
3. To help make health and safety activities an integral part of the organisation's operating procedures, culture and programs.
4. To provide an opportunity for the free discussion of health and safety problems and possible solutions.
5. To inform and educate employees and supervisors about health and safety issues, new standards, and findings, etc.
6. To help reduce the risk of workplace injuries and illnesses.
7. To help insure compliance with health and safety standards.

Action Taken to Reduce Accidents in Year 2014/15:

1. Safety KPIs for Managers.
2. Established a Safety Committee and reviewed issues on a monthly basis.
3. Increased the number of training hours for First Aid, Fire and Rescue and Occupational Health and Safety.
4. Decided to evaluate all the Road Side accidents, Contractors/ Visitors Accidents, and Incidents as well.

Key Statistics - CCS

Description	2013 /14	2014 /15
No of Total Training Hrs	1353	2368
No. of Trainings	6	16
• OHS	3	4
• Fire and Rescue	2	10
• First Aid	1	2
Total Occupational Injuries and Diseases	22	17
Total No. of Lost Days Due to Occupational Injuries or Diseases	276	96

Alongside the practical measures taken to improve safety standards, we make a concerted effort to increase employee awareness to help them understand their responsibilities regarding occupational health and safety. Our aim is to transform employee mind-set in such a manner that they concern themselves not only with their own personal safety but also with that of their colleagues. 16 training programmes were held during the year, in connection with safety aspects. The Company also conducted a health awareness sessions for its factory employees, executive and clerical staff to create greater awareness on the prevention of non-communicable diseases, including high blood pressure, diabetes and heart attacks etc.

Training and Development Policy

Over the years we have strategically focused on creating a dynamic work culture where people enjoy their work and feel proud to be a part of the Company. We continue to engage with our employees to help them focus on a results oriented culture and understand that achieving corporate goals is the key driver of career growth.

We focus on identifying talented employees during the annual review of performance and offer them opportunities for further development, so that they can be retained. Using a set of standardised rules, CCS conducts systematic assessments for all employees, to assess their performance and potential. These assessments also serve as the basis of strategic executive development and effective succession planning. It also helps us to map out the training needs for the year.

Key Statistics - CCS

Rs. 7.2 Mn	Expenditure incurred on training and development
85%	Utilisation of training budget

Training Hours - CCS

Category	2013/14 Total	2013/14 Per Employee	2014/15 Total	2014/15 Per Employee
Assistant Vice President and above	55	4.6	399	39.9
Managers	235	7.8	455	13.8
Assistant Managers	730	3.5	888	13.1
Executives	947	9.4	2,994	30.0
Non Executives	12,220	16.6	4,764	6.5
Total	14,187	15.0	9,500	10.0

"Life-skills" Development Initiatives –

- Soft Skills training for factory staff entitled "Personal Development through Positive Thinking" Guest lectures were conducted for the factory staff, to promote positive thinking as a value addition to their personal as well as official duties.

Launch of Master Orators Club

This was implemented to improve communication and public speaking skills of the factory based staff.

Employees in the manual worker and clerical categories are provided with continuous on the job training in order to upgrade existing competency levels. The career journey they embarked from unskilled to semi-skilled and finally to skilled category is fuelled by the on the job training opportunities that they are provided with while at work.

GRI-G4
G4-LA1

Business Review

Creating a Healthy "Work-Life" Balance

A flexible working hour arrangement is in place for employees to best manage their personal commitments without impacting on service standards or official responsibilities.

"Bhakthi Gee" program was held with the participation of 34 Workers, staff and executives in the factory premises in the evening of the day prior to Poson Full Moon Poya Day.

Providing paternity leave was another initiative to create and enhance a sense of engagement among our employees in line with our Values, and thus continuing to facilitate a great place to work for our employees.

Recruitment and Retention

Given our premier position in the market, CCS has long since been an employer of choice in Sri Lanka. Our recruits would not only be true value creators for the Company, but also be able to embrace the dynamic cultural profile of the CCS work ethic. Hence, attracting the right candidates has always been a priority for CCS.

Our structured recruitment process ensures that all potential candidates are evaluated for their skills and ability to adapt to our work environment. Our efforts to provide sustainable employment opportunities has prompted an all-encompassing evaluation procedure to assess the competency levels of all new recruits, with all recruitments being made purely on merit.

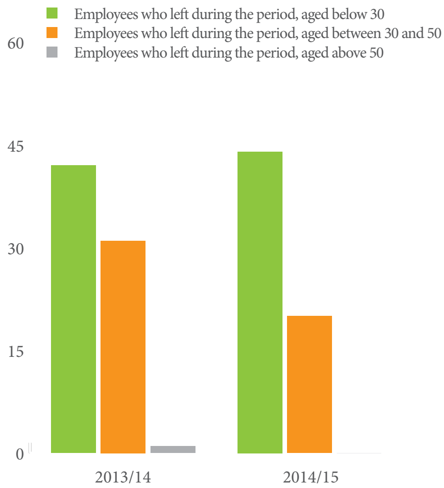
During the year, the attrition of employees who joined the Company before the beginning of the financial year reduced by 14% compared to the previous year.

86 new employees joined the organisation to fill vacant permanent positions. 2 new employees joined during the year left the organisation before the end of the year. Comparatively 4 new recruits left the organisation during last financial year

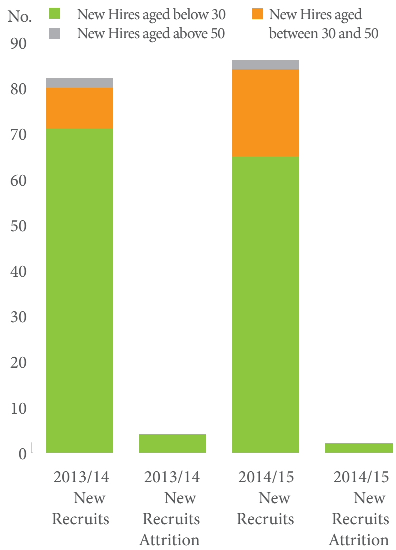
Company has managed to attract and retain younger talent as seen by the increase in employees aged under 30.

> *"Attrition has reduced from 8% to 7% as a percentage of total permanent cadre compared to previous year"*

Attrition of Permanent Employees- CCS



New Recruits and their Attrition Rates - CCS



> *New hire attrition has reduced from 5% to 2%*

> *Female hiring increased to 17% of the total new recruits from 7% in the previous year.*

Career Development and Progression

Our career progression and succession plan acts as a catalyst in creating empowered individuals that would drive the future of the Company. Applicable to all employee grades, the plan systematically maps employee performance annually. Moreover, the appraisals scheme also allows the Company to identify any potential training gaps and skills development needs of employees.

ENVIRONMENTAL STEWARDSHIP

As always we remain committed to play our part for the environment, focusing primarily on areas where we are able to make a change for the better. As a manufacturing organisation in the Food and Beverage sector, we are well aware that our business has a strong impact on the environment. We know that as our Beverage business expands, our bottling plant is likely to demand more and more water, while energy requirements for both the Beverage and Ice cream operations are likely to multiply rapidly. The management of waste and the treatment of effluents are also critical areas that demand our attention.

To help us manage these challenges in a more a sustainable manner, we have integrated these material issues into our mainstream agenda. Our 360 degree approach is aimed at assessing how our business activities can impact the environment. Guided by our environmental framework, we have thus embraced a holistic approach to help us optimise resource efficiency and minimise the impact on the environment.

Benchmarking Best Practices

ISO 22000 Certification Logo	<	ISO 9001 Certification Logo	<	ISO 18001 - OHASS Certification Logo	<	Earth Check Bronze Bench marked 2014	<	Benchmarks have been established to further improve impact on the Environment

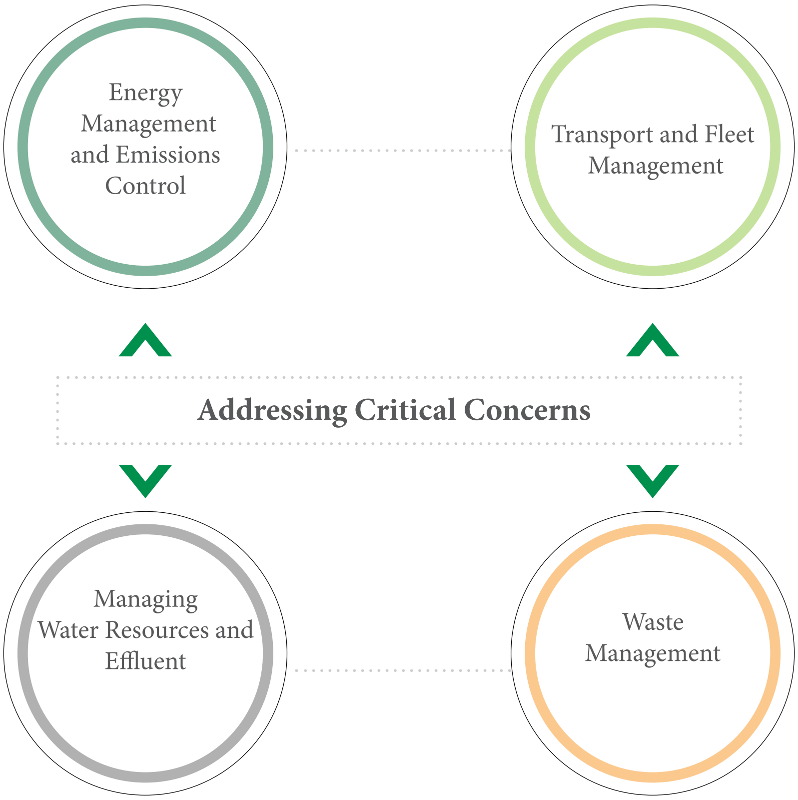
CCS Environmental philosophy

We will strive to improve our operational conduct to minimise the impact on the environment and make every endeavour to preserve the environment, while creating a "Greener" tomorrow for generations to come

Environmental Framework
At each stage of our business operations, we will tirelessly promote activities such as the conservation of natural resources, energy management and pollution control, thereby reducing our environmental impact
We will conform with all mandatory environmental laws and regulations applicable to our business. Over and above the statutory compliance requirements we will also formulate a voluntary code of environmental standards that would underpin our commitment to reduce the Company's carbon footprint
In ensuring that our environmental policies are carried out as intended, we will specify environmental objectives and set targets, while stringent review and monitoring would ensure continuous and proactive improvement
Our environmental philosophy and environmental policies are communicated to all employees of CCS to ensure they are embedded into the day-to-day operations of the Company
We make our Basic Environmental Philosophy and Environmental Policies accessible to the general public as we continue to report on the progress of our environmental activities in order to enlighten and secure the commitment of all stakeholders towards achieving our goals
We actively participate in the environmental conservation activities of the local communities in collaboration with governmental agencies or other local or affiliated organisation

GRI-G4
G4-EN6

Business Review



We have extended our efforts to create greater awareness among the workforce on the importance of conserving energy and inculcate an energy efficient work ethic.

- Switch of lights and air conditioners when leaving a room
- Reminding that the best temperature is 24 degrees in air conditioned rooms
- Set up computers to hibernate after 3 minutes when not working

Energy Management and Emission Control

Our energy intensive business format means, we rely on both direct and indirect energy sources to fulfil our energy needs. Depending on our requirements we use Electricity, LP gas, Diesel and Furnace oil at different stages of our manufacturing operation, while Diesel is used to power the vehicles used for our island-wide distribution mechanism.

Firmly aligned to the growth trajectory of the business, in the recent past, our demand for these non-renewable energy sources have grown significantly. We have thus had to contend, not only with a high energy bill, but also accept that our carbon footprint was becoming more prominent. While we do understand that the monetary cost to the Company can be readily established, we are well aware that the cost to the environment cannot be so easily ascertained. And so we consider it our responsibility to try and mitigate as much as possible, the impact that our business has on the environment.

To do this, we have made a conscious effort to better manage our infrastructure. We have also deployed integrated operational solutions that will generate efficiencies on the production floor as well across our distribution mechanism.

Innovation also plays a major role in our efforts to reduce our carbon footprint vis-à-vis the introduction of clean energy. We continue to pursue new technologies that will ease the dependence on non-renewable energy sources and help us transition towards renewable and alternative energy that will lighten the burden on the environment.

Bio Mass Boiler at Ranala plant

Projects for the year

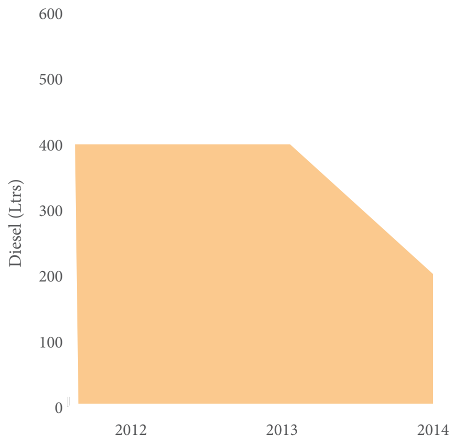
Clean energy project:

- Introduced with the aim of reducing the quantity of diesel energy consumed during the CO_2 generation process at the bottling plant, the new project is a ground-breaking step in the transition towards the use of cleaner energy. It is also an attempt at reducing emissions and controlling our carbon footprint. Under the new scheme, our food grade CO_2 requirement is procured from India, where the CO_2 is generated from green sources in that country.

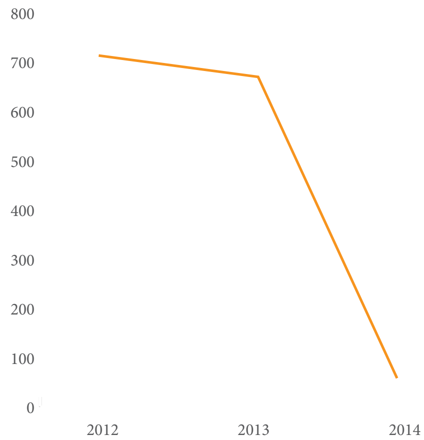
The project commenced in April 2014 and resulted in a 54% reduction in the diesel consumption in the 2014/15. After installing the 2nd storage tank in December 2014, we have managed to procure our entire requirement from India.

Energy Consumption - CCS	2012/13	2013/14	2014/15
Direct Energy Consumption			
Diesel Usage in Litres	651,334	613,452	441,232
Furnace Oil Usage in Litres	708,619	654,571	56,239
Liquid Petroleum Gas (LPG) in Kg	84,674	46,856	28,312
Indirect Energy Consumption			
Purchased from CEB (Units Consumed)	10,901,158	12,220,686	12,872,463

Diesel (Ltrs) Consumed During the CO_2 Generation Process (Ltrs.000) - CCS



Furnace Oil (Litres) used to Power Boiler (Ltrs 000) - CCS



Vehicle fuel consumption increased by 14% when catering to the volume growth.

There has been a reduction of total gas usage of 40% compared to the previous year. This mainly stems from the use of Electric Fork Lifts in the new full bottle store.

LP gas is also used for cooking purposes at the factory, which has also increased by 10% in the year under review as the number of days worked had to be increased to support the volume growth

There was a 5% increase in CEB energy units mostly due to increase in PET bottle production.

Meanwhile, we continued with ongoing efforts to manage energy, wherever possible, which saw the continuous upgrade of existing equipment to fulfil a higher standard of energy efficiency. As part of our efforts we also sought to instruct our employees and create awareness on the proper use of energy use and emphasise on them, the importance of energy management, at all times.

Total Diesel usage has reduced by 28%

Energy consumption by the generators increased by 24% due to the inefficient supply of grid power. However Kwh per Litre of Diesel used in Generators improved from 3.4 last year to 3.6 this year, due to efficient usage of the generators.

Automatic Flow Control System (AFS):

- An innovative step to streamline the energy consumption of the air compressor unit, used for the blowing of PET bottles. An energy intensive process, the blowing of PET bottles alone accounts for nearly 6% of our total electricity requirements in the Company. Still at the pilot stage, the new project is deemed to drastically reduce the electricity units consumed.

Ongoing success stories:

- The bio-mass boiler that was commissioned as a replacement for the furnace oil boiler, continued to generate considerable savings resulting in a 91% reduction in the quantity of furnace oil consumed by the Company.

Carbon Footprint - Total direct and indirect greenhouse gas emissions by weight

Carbon Footprint by source - CCS	2012/13	201314	2014/15
Electricity (MT)	7,430	8,330	8,774
Diesel (MT)	1,478	1,374	1,002
Furnace Oil (MT)	1,764	1,617	143
LP Gas (MT)	156	98	104
Total Footprint (MT)	10,828	11,419	10,023

GRI-G4
G4-EN16
G4-EN21

Business Review

The total carbon foot print has decreased by 12% YoY.
This is mainly originating from reduction in usage of furnace oil due to the Bio mass boiler. Furthermore consumption of diesel declined as a result of finding a green source to procure CO_2 from India.

Emission data - CCS		2012/13	2013/14	2014/15
Ozone depleting substances released (Kg's)	R22	Not Available	1,064	731
	R404	Not Available	2,605	1,875
Ozone depleting substances used (Kg's)	Acetylene	Not Available	20	6
	Ammonia	Not Available	1,636	28
	Nitrogen	Not Available	331	51

Emission of gases that deplete the ozone layer was comparatively less during the year as the chilling plant in the soft drinks factory did not require a complete recharge as was the case last year. A complete recharge of Ammonia had to be done in the previous year during a periodical overhaul of the plate heat exchanger.

Ozone depleting substances released (CFC-11 equivalent) (Kgs)	R22	Not Available	59	40
Global Warming Potential: substances released (Measured in CO2 Equivalent) (MT)	R22	Not Available	1,926	1,323
	R404	Not Available	8,493	6,112


Fire Drill

Managing Water Resources and the Treatment of Effluents

As a business involved in the manufacture of Food and Beverage, a major portion of our operation revolves around water resources. Our Beverage plant for instance relies heavily on the availability of an uninterrupted supply of water, while both factories have many other uses for water, cooling and sanitation needs account for a significant percentage of the total volume of water used annually. Our integrated water management processes aim to minimise water usage by improving operational procedures at all levels of the production process. Meanwhile, in conformity with the Environmental Protection (EPL) Licence issued by the Central Environmental Authority (CEA), all waste water is rigorously processed at our in-house treatment plant, to ensure the positivity of effluents released to the environment.

GRI-G4
G4-EN8
G4-EN22

Key Statistics - CCS

Water Usage (Ltrs)	2012/13	2013/14	2014/15
Ground water withdrawn	395,270	399,777	453,116
Usage per production litre	4.77	4.61	5.08

Water withdrawn has increased by 13% compared to last year, as a result of the increase in production volume to cater the market demand

Discharge of Treated Effluents - CCS

Quantities Discharged (Ltrs)		2013/14	2014/15
Municipality Sewerage, Drainage Lines		824	1,735
ETPs and Recycled Completely		549	798
Rivers, Lakes after being treated by ETP/STP		150,619	180,145
Direct to Rivers, Lakes, Wetlands, Marshes		38,136	22,444
Ground Through Soakage Pits etc		6,405	21,606
Provided to another Org (Outside the Group)		9,808	12,515
Total		206,341	239,243
Effluents discharged has increased by 16% YoY, the reason; operational growth in both categories . We have strived to recycle as much as possible through the use of an ultra-filtration process			
Biochemical Oxygen Demand (BOD Levels)			
Rivers, Lakes after being treated by ETP/STP	Range: <30 mg/l	10	10
Direct to Rivers, Lakes, Wetlands, Marshes	Range: <30 mg/l	11	10
Chemical Oxygen Demand (COD Levels)			
Rivers, Lakes after being treated by ETP/STP	Range: <250 mg/l	95	66
Direct to Rivers, Lakes, Wetlands, Marshes	Range: <250 mg/l	87	47
Total Suspended Solids (TSS Levels)			
Rivers, Lakes after being treated by ETP/STP	Range: <50 mg/l	14	12
Direct to Rivers, Lakes, Wetlands, Marshes	Range: <50 mg/l	10	9
pH Levels			
Rivers, Lakes after being treated by ETP/STP	Range: 6.5 -9.0	8.09	8.0
Direct to Rivers, Lakes, Wetlands, Marshes	Range: 6.5 – 9.0	8.16	8.0
Oil and Grease Levels			
Rivers, Lakes after being treated by ETP/STP	Range: <10 ppm	4.3	1
Direct to Rivers, Lakes, Wetlands, Marshes	Range: <10 ppm	6.5	2

GRI-G4
G4-EN23

Business Review

Effluent discharge water quality parameters of CCS has improved during the year as a result of continuous efforts made to monitor and control the effluent treatment plant and enhancement of the holding capacity of the ice cream effluent stream.

Waste Management

Being in the Food and Beverage industry, non-hazardous solid waste continues to be a key concern for the Company, particularly given the rapid growth in our operational activities in recent years. To address this growing concern, we have put in place precise waste management practices to ensure waste is managed efficiently and disposed of properly. Our waste management principles revolve around the 3R concepts Reduce, Recycle and Re-use. Moreover, we are gearing our waste segregation systems and processes in such a manner that would help increase the quantity of waste reused and recycled.

Waste Management data

Non-Hazardous Waste - CCS	2012	2013	2014
Reuse (Kgs)	93,105	100,509	79,171
Recycling (Kgs)	571,766	459,851	656,931
Incineration (Kg)	750,053	776,150	886,350
Sent to Landfills (Kgs)	-	40,850	46,650
Total Waste (Kgs)	1,414,924	1,377,360	1,669,102
Hazardous Waste			
Disposed (Kgs)	-	94	1,236

Total non-hazardous waste increased by 21% during the year as result of increased production done to cater the market demand. However, it should be noted that we managed to increase the recycling of waste by 43% through proper waste segregation and continuous awareness among the factory staff.

Transport and Fleet Management

Being an integral component of our business, our transport systems are the link that ensures our products reach their intended markets. A hallmark of our service standards, improving the efficiency of the transport mechanism has always been a priority in our efforts to create sustainable value to the stakeholder. Ever conscious of the environmental impact caused by vehicle emissions, we made considerable investments during the year to upgrade our transport fleet. Larger and more efficient cold cars were introduced to the fleet, to support larger delivery quantities in a more efficient manner. Moreover, a detailed route rationalisation exercise was also embarked on, in a bid to streamline cross country deliveries and improve fuel consumption per litre of the finished product.

PRODUCT RESPONSIBILITY

Strengthened by a century old legacy, our iconic Elephant House brands have been blazing trails for the past 130 years. A dynamic product range caters to both mainstream and niche requirements of the target markets, our portfolio spans of more than 50 varieties of each soft drinks and ice cream products. The Elephant House brand has long since gelled into a household name which is now intrinsically linked to the very cultural fabric of Sri Lanka.

A clear market leader in the country, our carbonated drinks have successfully challenged global giants to earn a rightful place at the pinnacle of the local market. out of the soft drink offerings under the flagship Elephant House (EH) brand, EGB and Cream Soda are undisputed leaders in their respective segments. All Beverage variants are available in glass and PET bottle alternatives. However, the light variants are only available in PET bottles and Cans. All ingredients are comprehensively mentioned on the packaging along with the manufacturer's details. Furthermore, some products carry environmental and recycling messages, warnings and consumer hotline numbers, to guide the consumer towards a more sustainable lifestyle.

Our Ice Cream range too comprises of a gamut of offerings from the basic vanilla, chocolate and strawberry flavours to a string of value added variants, together with a premium range on par with international brands. To fulfil our promise of unrivalled taste and quality, we have formulated a purchasing policy that ensures all materials are sourced in conformity with the highest quality standards.

GRI-G4
G4-EN29
G4-SO8
G4-PR3
G4-PR7
G4-PR9

Our vanilla ice cream is made with natural vanilla sourced from local vanilla farmers supported by the Company, while the EH Karuthakolumban Ice Creams are made using natural Karuthakolumban mangoes sourced from local farmers all across the country. Further details are captured in the sustainable sourcing section of this report.

Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements:

Information Contained in Product Label - CCS

Number of Products which state :	Ingredients used	Sourcing of Components	Content or Substances with Environmental and Social Impact	Safe use of Product or Service	Disposal of the Product
Soft Drinks	55	0	0	1	37
Ice cream	58	0	0	2	0
Total CCS	113	0	0	3	35

Undoubtedly, it is our diligent commitment to upholding our brand promise at all times that has helped us overcome challenges and compelled our success, thus far. While being a clear indication of the strength and versatility of our offerings, it is indeed a definite endorsement of the relevance of the EH portfolio in cognizance of the needs of the Sri Lankan consumer. In essence, a deep understanding of the customer psyche has also prompted us to seek the wellness of our customers at all times. This rationale has guided us to a set of uncompromising principles, encouraging us towards the highest standards of integrity and ethical conduct throughout our business. Hence we have made every effort to ensure that both our core offerings are manufactured to the highest standards using state-of-the-art machinery in compliance with all accepted quality benchmarks.

Moreover, innovation has always played a pivotal role in our journey to success and as we seek to uphold our pledge to the customer, we remain committed to pursue ways to enrich our offerings and complement the lifestyles of the modern consumer in tandem with emerging market trends across the globe.

PR6 Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship. Every time a piece of communication is developed, stringent review is done.

During the year we have complied with the food (flavouring substances and flavour enhances) regulation 2013 brought forth by the Food Advisory Committee of the Ministry of Health with effect from 1st July 2014. Further, we have voluntarily displayed the nutritional information of our soft drinks products in PET bottles and range of cans.

"During the year there were zero significant fines paid to regulatory authorities as a result of not adhering to product, environment or any other regulatory requirements. The Company defines significant fines as any fines paid over Rs. 1 million"

NURTURING THE COMMUNITY WITH CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Accountability and Social Responsibility (CSR) are fundamental aspects of the CCS corporate sustainability philosophy. They not only define how we do business, but also pave the way for us to establish business contacts, benefit from localised expertise and maintain a positive dialogue with communities impacted by our work.

The main thrust of our social responsibility curriculum remains our farmer-out grower programme, an ongoing effort which aims to uplift the livelihood of small scale rural farming clusters across the country. The initiative has also underpinned our backward integration strategy which is the hallmark of the Company's supply chain, where ethical procurement practices dictate that wherever possible, ingredients should be sourced locally in a socially responsible manner. CCS' entire requirement of Vanilla, Ginger, Treacle, Cashew, Jaggery,

GRI-G4
G4-12
G4-EC9

Business Review

Mango and Fresh Milk is procured in this manner, via the out-grower programme that extends to specific regions of the country.

While we may engage directly with farmer communities in some cases and in other instances, interaction with grower associations as direct representatives of the farming communities, the underlying development agenda remains the same. Our goal is to provide farmers with the necessary resources that will encourage them to instigate their own success. Our technical guidance and knowledge sharing initiatives have helped many farmers to optimise their crop yields. While empowering these farmers as productive members of the nation, the CCS out-grower programme has also inspired these farming clusters across the country to enhance their livelihoods and improve their overall living standards.

SUSTAINABLE SOURCING

Ginger

We purchased a total of 22,192 kg dry ginger in 2014/15 from 253 farmers involved in cultivating ginger. In the 2013/14 financial year due to a crop failure the harvest was only 7,337 kg. During the year under review we considered the difficulties faced by our farmer community due to the low yield of the crop and substantially increased the price to support the fixed cost of the production with the intention of sustaining the supply. An attractive price offered enabled to encourage the farmers not to quit the cultivation and continue to trust the Company as a long term business partner. Our EGB volume grew by 24% during the financial year which enabled us to improve the livelihood of the ginger farmers who managed to increase their income levels.

We extended our sourcing to the farmers in the districts of Colombo, Gampaha and Kalutara in addition to working with the traditional farming communities in Aludeniya, Galabawa, Poojapitiya, Udawa and all of Hataraliyadda in the Kandy District, supplying our entire requirement of ginger for our flagship EGB product. The farmers produce ayurvedic ginger, which has medicinal properties and is considered the purest form of ginger.

Vanilla

Vanilla constitutes one of the key ingredients featuring in many of the Company's products. As a result, we require an uninterrupted supply of vanilla used for the manufacture of plain vanilla ice cream as well as the vanilla ice cream based products of Hakuru Mix and Pani Kadju, Twist range, Fruit and Nut and Winter Slice etc. This project now spans across Meegammana West, Wattegama and Kandy areas. 2,500 farmer families are working with the Kandy Vanilla Growers Association which has a long term strategic partnership with us. When the Kandy Vanilla Farmers encountered crop failure due to unfavourable weather conditions we stepped up to increase the price paid aligning it to the global vanilla trading prices to support the sustenance of the community.

Treacle

Our treacle project witnessed a total of 41,894 kgs of treacle being sourced by the Company during the financial year which is 17% more compared to the previous year, from farming families in the Waralla and Deniyaya areas. The increase in demand for our Pani Cadju product enables us to allow the farmer community to generate a higher income.

More significantly, the treacle is pure and not adulterated with sugar. Janatha Nilwala Krushi Nishpadana Sangamaya, a local NGO from Deniyaya is engaged in the process of widening our treacle farming network to add to the existing base, and 14 farmers benefit from treacle manufacturing.

Kithul Jaggery

Our kithul jaggery project, although four years old, witnessed a total of 18,343 kgs of jaggery being sourced by the Company annually, from the Agriculture Self Employment Society, Neluwa, which engages with 53 farmers. We increased the price per kg by 48% during the year. Despite the price increase offered, farmers failed to meet our full demand and supplied 7% less than last year's volume.

> *"Rs 56.4 million was spent on sustainable sourcing initiatives during 2014/15"*

> *"Engaging more than 2,800 farmers"*

Vanilla beans as captured at a local farm.

GRI-G4
G4-12
G4 - 16
G4-EC9

Sustainable Sourcing Projects of CCS - Three-Year Comparison

Product	Location	Number of Farmers			Total Annual Supply (KG)			Total Payment (Rs.)		
		2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Ginger	Aludeniya, Galabawa, Poojapitiya, Uduwa and all of Hataraliyadda in the Kandy District	253	253	253	28,195	7,337	22,192	16,917,366	4,402,116	35,507,200
Vanilla	Meegammana West Wattegama, Kandy	2,500	2,500	2,500	981	490	400	5,762,390	3,572,900	3,650,580
Treacle	Waralla, Deniyaya	14	14	14	20,422	35,675	41,984	2,654,860	4,510,339	5,446,233
Kithul Jaggery	Agriculture Self Employment Society, Neluwa	50	50	50	20,284	19,726	18,343	8,132,277	8,616,326	11,828,343

Associations which CCS holds memberships in:

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

Sourcing ginger from local farmers.

Business Review

Human Rights Related Indicators	
Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening	Please refer the supplier assessment segment in the Enterprise Risk Management section
Operations and suppliers identified as having significant risk for incidents of child labour.	None
Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour.	None

Sustainability Initiatives by the Subsidiary - Jaykay Marketing (Pvt) Ltd. (JMSL)

JMSL implemented a strategy to entrench sustainable practices both at store level and in the value chain.

Given that electricity costs amount to nearly 16% of total overheads, JMSL focused on the efficient use of energy at its retail outlets. Further to the pilot project carried out in 2013/14, JMSL fully converted another 6 stores during the year to LED lighting. Further, all the new stores that were opened during the year were equipped with LED lighting . As at end of the year 15 of our stores use LED lighting and the balance will be converted in the next 2 years.

In order to maximise the use of day light, the Company has invested in skylights in all new outlets. All stores are required to adhere to equipment operating times as per the energy saving action plan communicated to them. Several initiatives were carried out to increase the awareness on energy saving among the staff which includes circulation of energy saving tips, training sessions, introduction of energy saving competitions among the stores. Furthermore, internal meters were installed at all outlets to monitor the consumption of electricity against the target on a daily basis. This has helped JMSL to reduce the electricity unit consumption per square foot by 2.7% over last year.

Key Statistics - JMSL	2012/13	2013/14	2014/15
Carbon footprint per square foot of outlet area	31.46 Kg	32.36 Kg	31.44 Kg
Water withdrawn per square foot of outlet area	320.47 L	310.28 L	298.94 L
Electricity units consumed per square foot of outlet area	45.26 kWh	46.95 kWh	45.68 kWh

Sustainable Sourcing by Keells Super Supermarkets

The significant suppliers of JMSL can be broadly classified as follows.

Thambuttegama Vegetable Collection Centre

JMSL has been operating a Vegetable Collection Centre at Thambuttegama since August 2005. During 2014/15, JMSL procured over 2,019,000 Kgs of vegetables and fruits at a total value of over Rs. 133 million. This entire volume was purchased direct from farmers in Mahaweli 'H' region in Thambuttegama. Compared with the last financial year, this is a growth of 47% in terms of volume.

Progress of the Collection Centre -Thambuttegama

F/Y	2012/2013	2013/2014	2014/2015
Volume (kg '000)	532	1,370	2,019
Purchases (Rs. mn)	39	86	133
Volume Growth %	-7%	158%	47%
No. of active farmers/Month	75	90	125

The executive in-charge of the Collection Centre is assisted by one supervisor and seven employees who are living in and around the area, employed by JMSL. The Centre worked with approximately 175 farming families whilst at any given time approximately 125 farmers supplied produce to the Collection Centre over a month.

For the sixth consecutive year, JMSL purchased over 320,000 Kg of Big Onions from the farmer associations in Kebithigollawa and Galenbindunuwewa (two villages in the North Central Province) which was initiated by USAID-Sri Lanka and from farmers in Sigiriya, Thabuttegama and Dambulla. JMSL continuously works with these farmers by providing them a readymade market for their produce with a view to upgrade their livelihood.

Suriyawewa Collection Centre

The Suriyawewa Collection Centre started operations in January 2011 in the Walawa Mahaweli Area in the Southern Province. This Collection Centre was set up to procure low-country vegetables and fruits in order to meet the increasing demand of the supermarket chain. The executive-in-charge of the Collection Centre is assisted by one supervisor and eight employees drawn from the surrounding region. JMSL has been working with approximately 200 farming families and procured around 2,088,000 Kg of vegetables and fruits at an aggregate value of over Rs. 144 million during the year in review. In comparison to the last financial year, this is a growth of 49% in terms of volume.

Business Review

Progress of the Collection Centre – Suriyawewa

F/Y	2012/13	2013/14	2014/15
Volume (kg '000)	757	1,400	2,088
Purchases (Rs. mn)	54	89	144
Volume Growth %	28%	85%	49%
No. of active farmers/Month	75	95	112

Nuwara Eliya Collection Centre

The Nuwara Eliya Agricultural Cooperative Society (AGCO) at Meepilimana, Nuwara Eliya operates the vegetable collection centre on behalf of JMSL. It has an operations manager, two supervisors and 18 full time workers involved in this operation. This organisation has a membership of more than 1,200 farmers from in and around Nuwara Eliya and they procure all produce from the membership. During the year in review, JMSL procured over 975,000 Kg of up-country vegetables for a total value of over Rs. 170 million. This is a volume growth of 22 % over the previous Financial Year.

Sourcing from Jaffna

During 2012/2013 JMSL initiated a project to source Fruits, vegetables and fish from Jaffna. The executive-in-charge stationed in Jaffna has been closely working with the farmers to make this project successful. JMSL had procured over 52,600 Kg of fruits and vegetables and over 14,000 Kg of fish for a value of over Rs. 11 million from Jaffna during the period in review.

Organic Produce

As a response to the growing segment of health-conscious consumers JMSL is committed to provide organic produce to its valued customers. JMSL has established a relationship with over eight Certified Organic farmers in areas such as Bandarawela, Nuwara Eliya, Anuradhapura, Jaffna and Batticaloa.

During the financial year JMSL procured over 25,600 Kg of organic produce. Organic fruits and vegetables are now sold in 10 stores and organic chicken is sold in four stores. The Company strives hard to expand the farmer base and volumes as well as providing them with technical knowledge.

Training and Extension Services

As part of its sustainable sourcing initiatives, JMSL distributed crates among farmers free of charge and promoted use of crates in order to ensure post-harvest quality of their produce. Two training sessions each were conducted in Suriyawewa and Thambuttegama and one each at Nuwara Eliya and Bandarawela to disseminate knowledge and enhance the scientific approach to sustainable agriculture in collaboration with the Mahaweli Authority and the Agriculture Department.

Our Extension Officer works with farmers in all our sourcing regions providing guidance to farmers as and when required.

SUSTAINABLE HUMAN CAPITAL MANAGEMENT

1. Our Management Framework

JMSL human resources philosophy revolves around five key principles, namely "A Boss that teaches me", "I can grow and develop", "Treated with trust and care", "Fair rewards" and "My idea matters". We encourage our staff numbering over 2,600 to pursue a rewarding career and encourage career advancement within JMSL. We conduct bi-annual Employee Satisfaction Surveys covering above principles to better understand our staff and identify areas of improvement. JMSL human resources practices includes:

- Promote equality and diversity in recruitment, retention and promotion
- Wages and benefits in par with the industry
- Foster learning and development facilitated by in-house Keells Retail Academy
- Freedom of association and the right to bargain collectively
- Health and safety awareness training
- Gender based violence awareness across JMSL.
- No child labour
- Community engagement through Group CSR.

51%	Employees covered by collective bargaining agreements
0	Lost/work stoppages due to industrial disputes

Key Statistics - JMSL

Employees by Category	2012/13	2013/14	2014/15
Assistant Vice President and above	8	7	7
Managers	7	8	11
Asst. Managers	26	27	24
Executives	205	205	248
Non-Executives	1,763	1,770	1,886
Contractor's Personnel (Janitorial, Security etc)	554	452	496
Total Employees	2,009	2,017	2,176
Total Workforce	2,563	2,469	2,672
Female Representation percentage in Senior Management positions	7%	13%	11%
Female Representation as a percentage of total Employees	39%	40%	41%
Permanent employees as a percentage of total Employees	46%	48%	44%

Contractor's Personnel - JMSL	2012/13	2013/14	2014/15
Total - Contractor's Personnel (Janitorial, Security etc)	554	452	496
Male -Contractor's Personnel (Janitorial, Security etc)	340	261	279
Female -Contractor's Personnel (Janitorial, Security etc)	214	191	217

Business Review

Talent Development

JMSL's learning and development function is executed through Keells Retail Academy which was established in 2007. The main goal of the academy is training new recruits to develop their skills within a short period of time and continuous development of existing employees.

Employee training programmes are structured based on the nature and complexity of the job profile and the experience of the trainee. We have partnered with NAITA – National Apprentice and Industrial Training Authority and City & Guilds bodies to offer our staff a vocational qualification which meets international standards. In 2014/15, JMSL has spent over Rs. 22 million on training programmes covering 95,821 training hours.

Following are the key training programmes conducted during the year under review:

- Service masters
- Job related skills development
- Supervisory skills development
- Positive thinking and self-motivation

JMSL	
Rs.22 Mn	Training for the year
100%	Utilisation of the training budget

Training Hours

Category	2013/14 Total	2013/14 Per Employee	2014/15 Total	2014/15 Per Employee
Assistant Vice President and above	113	16.1	258	36.9
Managers	200	25.0	241	21.9
Assistant Managers	1,021	37.8	983	41.0
Executives	23,285	113.6	16,592	66.9
Non Executives	177,080	100.0	77,748	41.2
Total	201,699	100.0	95,822	44.0

Compensation and Benefits

While our basic salary structure is in line with the market, JMSL also has reasonable performance based compensation schemes. These encourage our employees to earn a higher pay while high level of efficiency and productivity is achieved.

Our compensations and benefits structure includes the following:

- Salary
- Annual bonus
- Attendance allowance
- Retention bonus
- Sales incentives
- Uniforms
- Night transport
- Death donation fund

Employee Engagement

Stemming from JMSL's key human resources principles of "Treated with trust and care" and "My idea matters" the Company has fostered a culture which promotes employee engagement. JMSL believes in working collaboratively with employees ensuring mutual benefit.

Workplace communication is the key driver to promote employee engagement and JMSL has taken following initiatives promote the same:

1. Town hall meetings
2. Young forums at all levels of employees
3. Keells Radio – Staff Channel from 7.00am to 8.30am.
4. TWYIST – This Week with you In Store Programme where senior management work with staff at the store
5. Structured departmental meetings

1.4 Occupational Health and Safety Policy

JMSL's occupational health and safety policy is to proactively undertake measures to minimize the risk of accidents and injuries at work. Training on health and safety covering fire prevention and first aid is also conducted.

JMSL	2012/13	2013/14	2014/15
Total Occupational Injuries and Diseases	15	15	30
Total No. of Lost Days Due to Occupational Injury or Disease	103	280	100

KEELLS SUPER
FRESHNESS OFFICER
KEELLS SUPER
The Standard of Freshness
• Only the best vegetables are selected directly from the farmers
• 3 stage quality check
• To Keells Super outlets within 24 hours
KEELLS SUPER

GRI-G4
G4-32

Business Review

Global Reporting Initiative Index - Ceylon Cold Stores PLC
General Standard Disclosures

Indicator	Disclosure	Page Number/Reference
1. Strategy and Analysis		
G4-1	Chairman's Statement	14-17
2. Organisational Profile		
G4-3	Name of the Organisation	Inner Back Cover
G4-4	Primary brands, products, and services	34-39
G4-5	Location of the organisation's headquarters	Inner Back Cover
G4-6	Countries where the organisation operates	No foreign Operation
G4-7	Nature of ownership and legal form	Inner Back Cover
G4-8	Markets served	36, 40
G4-9	Scale of the reporting organisation	46
G4-10	Employee Profile	56
G4-11	Percentage of total employees covered by collective bargaining agreements	58
G4-12	Supply chain of the organisation	38,39,68,69
G4-13	Significant changes during the reporting period	No Significant Changes
G4-14	Precautionary approach or principle	120-127
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	54
G4-16	Memberships of associations	69
3. Identified Material Aspects and Boundaries		
G4-17	Organisation's entities covered and not covered by the report	Inner Back Cover
G4-18	Defining the report content and the Aspect Boundaries	4
G4-19	Material Aspects	30-33
G4-20	Aspect boundary for identified material aspects within the oragnisation	30-33
G4-21	Aspect boundary for identified material aspects outside the organisation	30-33

Indicator	Disclosure	Page Number/Reference
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	No Significant Changes
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	The first attempt at Integrated Reporting referring to standards disclosures from GRI-G4 guidelines was made in 2014/15 Financial Year
4. Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organisation	30-33
G4-25	Basis for identification and selection of stakeholders with whom to engage	26-27
G4-26	Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	30-33
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to them	30-33
5. Report Profile		
G4-28	Reporting period	4
G4-29	Date of most recent previous report	Integrated Reporting was not attempted last year
G4-30	Reporting cycle	4
G4-31	Contact point for questions regarding the report or its contents	Inner Back Cover
G4-32	Compliance with GRI G4 guidelines and GRI content index	76-79
G4-33	External assurance	N/A
6. Governance		
G4-34	Governance structure of the organisation	83
7. Ethics & Integrity		
G4-56	Organisation's values, principles, standards, and norms of behaviour	2,104

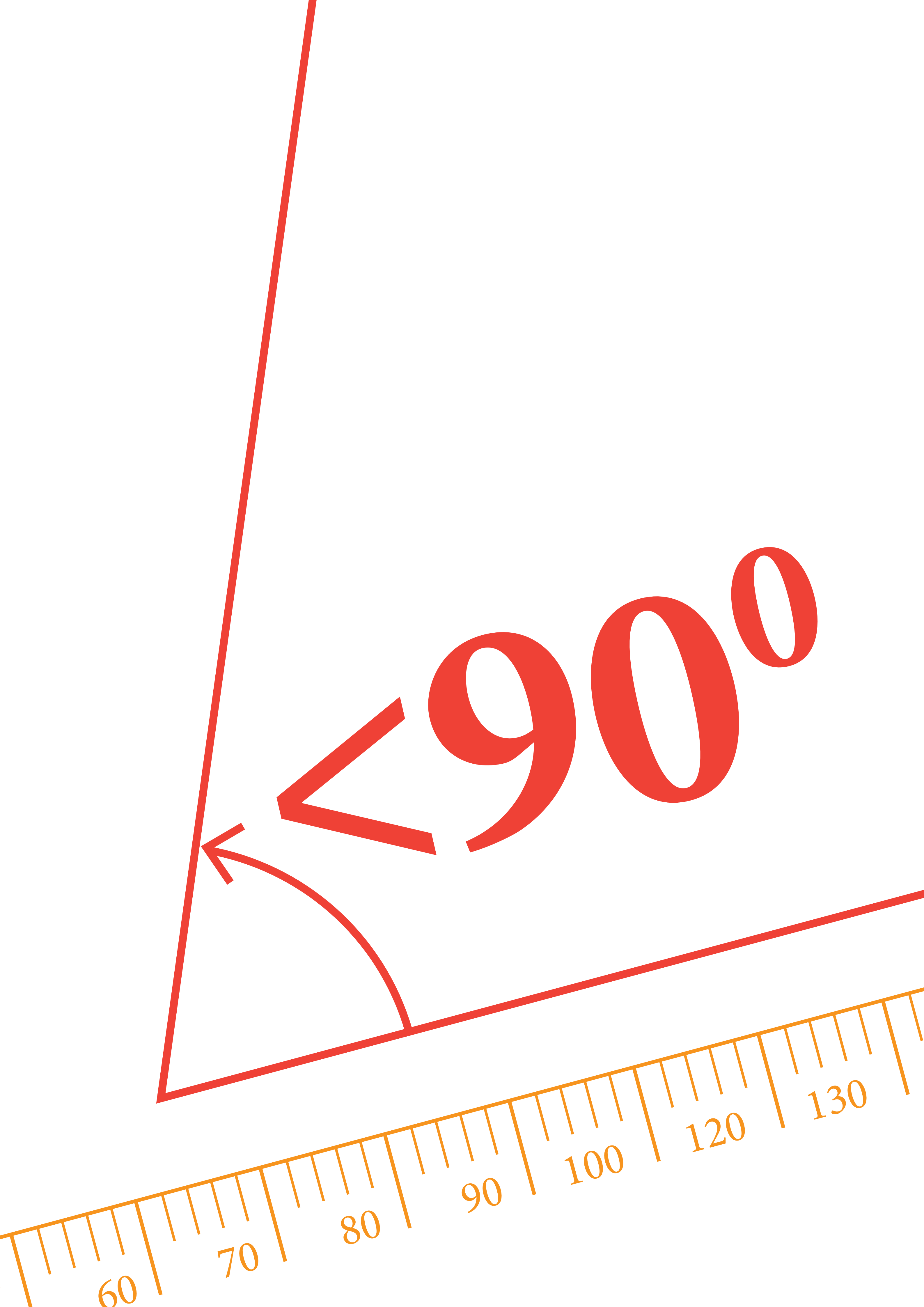
GRI-G4
G4-32

Business Review

Global Reporting Initiative Index - Ceylon Cold Stores PLC
Specific Standard Disclosures

Aspects	Indicator	Disclosure	Page Number/Reference
Economic			
Economic Performance	G4-EC1	Economic Performance	6
Procurement Practices	G4-EC9	Local Purchasing	68-69
Environmental			
Energy	G4-EN3	Energy consumption within the organisation	63
	G4-EN6	Reduction of energy consumption	62-63
Water	G4-EN8	Water withdrawals by source	65
Emissions	G4-EN16	Energy indirect Greenhouse Gas (GHG) emissions (scope 2)	63-64
	G4-EN21	NOx, SOx, and other significant air emissions	64
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	65
	G4-EN23	Total weight of waste by type and disposal method	66
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	67
Social			
Labour Practices and Decent Work			
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	60
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation	57
Labour/ Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	58
Occupational Health and Safety	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	58
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	58

Aspects	Indicator	Disclosure	Page Number/Reference
Training and Education	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	58-59
Diversity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	56
Human Rights			
Child Labour	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	54,55,90,99
Forced or Compulsory Labour	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	54,55,90,99
Society			
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	67
Product Responsibility			
Product and Service Labeling	G4-PR3	Types of product and services information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements.	30,67
Marketing and Communications	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	67
Product Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	67



<90°
60
70
80
90
100
120
130

Governance

Acute Angle - an angle that is less than 90°

Intelligent analysis that brings results.

Corporate Governance

1. EXECUTIVE SUMMARY

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

This philosophy has been institutionalised at all levels in the Group through a strong set of corporate values and a written code of conduct with a proven Performance Management and Values monitoring system where the Board of Directors, Senior Management and all Employees are required to follow in the performance of their official duties and in other situations that could affect the Group's image. Good governance is engrained in the Group's culture as an uncompromising pursuit that provides an enabling environment for triple bottom-line growth in a sustainable manner. It is this mindset which has enabled the Business Units to continuously create value for all its stakeholders notwithstanding the external environment and macro conditions.

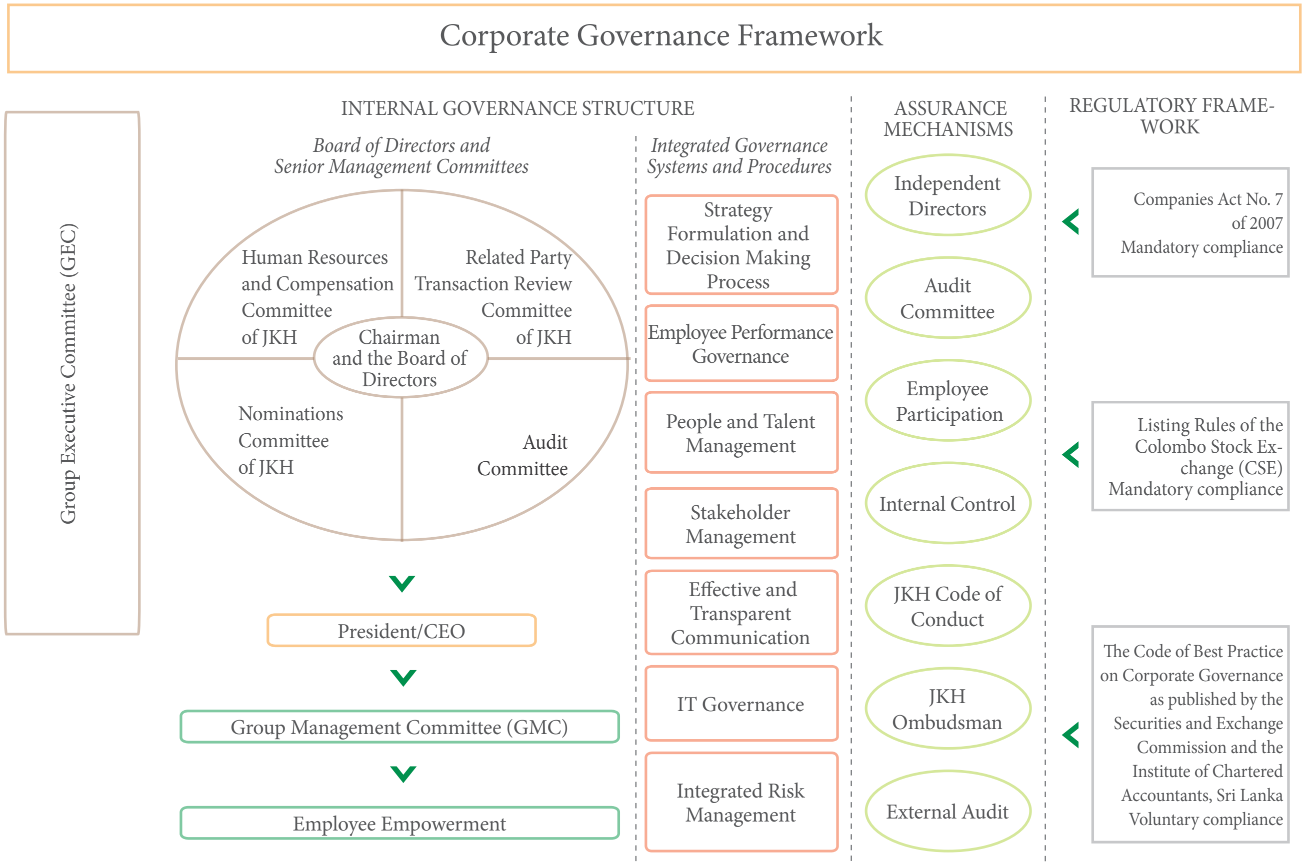
The Directors and employees at all levels are expected to display ethical and transparent behaviour through their communication and role modelling. All the Group's recognition schemes insist, as a minimum, that all employees have lived the JKH values and the behaviour of the senior management of the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

The Group is fully compliant with all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and Rules of the Securities and Exchange Commission of Sri Lanka (SEC). Group practices are in line with the Code of Best Practices on Corporate Governance jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The systems and procedures are continuously reviewed to provide transparency and accountability.

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

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

2. CORPORATE GOVERNANCE FRAMEWORK



Only the key components are depicted in the diagram due to space constraints

- The Audit Committee is Chaired by an Independent Director and comprises all Non-Executive Independent Directors and is appointed by the Board. The Audit Committee is attended by the CEO, CFO, Sector Financial Controller, Head of Group Business Process Review of JKH and External Auditors and Internal Auditors by invitation.

- As permitted by the Listing Rules of the Colombo Stock Exchange the Human Resources and Compensation Committee, the Nominations Committee and the Related Party Transactions Committee of John Keells Holdings PLC, the Parent Company of Ceylon Cold Stores PLC function in those respective capacities of Ceylon Cold Stores PLC and the Subsidiary Jaykay Marketing Services (Pvt) Ltd. All the Committees are headed by Independent Directors and are appointed by the John Keells Holdings PLC Board of Directors.

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

2.1 Internal Governance Structure

This comprises the Committees which formulate, execute and monitor Group related strategies and initiatives and the Integrated Governance Systems and Procedures which support these Committees to perform their roles effectively.

2.2 Assurance Mechanisms

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

Corporate Governance

2.3 Regulatory Framework

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

- Companies Act of 2007 – Mandatory compliance
- Listing Rules of the Colombo Stock Exchange (CSE) – Mandatory compliance (Including subsequent revisions up to 1 April 2014)
- The Code of Best Practice on Corporate Governance as published by the Securities and Exchange Commission (SEC) and the Institute of Chartered Accountants, Sri Lanka – Voluntary compliance
- Where necessary, and applicable, any deviations as allowed by the relevant rules and regulations have been explained.

3. INTERNAL GOVERNANCE STRUCTURE

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

1) Board of Directors and Senior Management Committees

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

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

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

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

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

2) Integrated Governance Systems and Procedures

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

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

3.1 Board of Directors

The Board of Directors, along with the Chairman, is the apex body responsible and accountable for the stewardship function.

The Directors are collectively responsible for upholding and ensuring the highest standards of Corporate Governance and inculcating ethics and integrity.

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

3.1.1 Board Responsibilities and Decision Rights

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

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

- Provide direction and guidance to the Company and the Subsidiary in the formulation of its high-level strategies, with emphasis on the medium and long term, in the pursuance of its sustainable development goals
- Review and approving annual plans and longer term business plans
- Track actual progress against plans
- Review HR processes with emphasis on top management succession planning
- Review the performance of the Executive Director
- Monitor systems of governance and compliance
- Oversee systems of internal control, risk management and establishing whistle blowing conduits

Name of Director	Executive/ Non Executive	Independent / Non Independent	Involvement/ Interest in Shareholding	Involvement/ Interest in Management	Involvement/ Interest in Supply Contracts	Continuously Served for 9 Years
Mr. S C Ratnayake – Chairman	Non Executive	Non Independent	Yes	No	No	N/A
Mr. A D Gunewardene	Non Executive	Non Independent	Yes	No	No	N/A
Mr. J R F Peiris	Non Executive	Non Independent	Yes	No	No	N/A
Mr. J R Gunaratne	Executive	Non Independent	Yes	Yes	No	N/A
Mr. P Jayawardene	Non Executive	Independent	Yes	No	No	Yes (Note 1)
Prof. U Liyanage	Non Executive	Independent	Yes	No	No	Yes (Note 1)
Mr. A Rasiah	Non Executive	Independent	Yes	No	No	Yes (Note 1)
Mr. M Hamza (appointed on 15th May 2015)	Non Executive	Independent	No	No	No	No

Note 1 : Compliant by assessment and resolution - Mr. P Jayawardene, Prof. U Liyanage and Mr. A Rasiah have all completed more than 9 consecutive years as members of the Board, However the Board having reviewed their interest and their ability to bring strong independent oversight to the Board, established that they continue to demonstrate their independence.

- Determine any changes to the discretions/authorities delegated from the Board to the Executive levels
- Review and approving major acquisitions, disposals and capital expenditure
- Approve any amendments to constitutional documents
- Adopt voluntarily best practices where relevant and applicable

3.1.2 Board Composition and Directors' Independence

As at 31st March 2015, the Board consisted of seven (7) Directors, of which three (3) are Non-Executive, Independent Directors. As at the last Annual General Meeting held on the 30th June 2014. Mr. M. Hamza was appointed to the Board on 15th May 2015 and the Board now consist of eight (8) Directors.

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

3.1.3 Non Executive/Independent Directors and the Board Balance

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

The Company is conscious of the need to maintain an appropriate mix of skills and experience in the Board. Independence of the Directors has been determined in accordance with the criteria of the CSE Listing Rules, and the Board confirms that its present composition of Non-Executive Independent Directors is in line with the requirements of the CSE Listing Rules. The four (4) independent Non-Executive Directors have submitted signed confirmations of their independence.

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

3.1.4 Board Skills

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

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

Corporate Governance

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

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

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

3.1.5 Managing Conflicts of Interests and Ensuring Independence

Each Director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests in material matters and personal relationships which may influence his/her judgement. Such potential conflicts are reviewed by the Board from time to time. Details of companies in which Board members hold Board or Board Committee membership are available with the Company for inspection by shareholders on request.

In order to avoid potential conflicts or bias, the Directors make a general disclosure of interests, as illustrated below, at appointment, during the tenure and at the end of every financial year, as an ongoing discipline. Such potential conflicts are reviewed by the Board from time to time in ensuring the integrity of the Board's independence. Details of Companies in which Board members hold Board or Board Committee memberships are available with the Company Secretaries for inspection by shareholders on request. In order to avoid potential conflicts or biasness, Directors adhere to best practices as illustrated below.

Good Governance Practices of the Board of Directors

Prior to Appointment

Nominees are requested to make known their various interests that could potentially conflict with the interests of the Company.

Once Appointed

Directors obtain Board clearance prior to:

- Accepting a new position.
- Engaging in any transaction that could create a potential conflict of interest.

All NEDs notify the Chairman of any changes to their current Board representations or interests.

During Board Meetings

Directors who have an interest in a matter under discussion, have :

- Excuse themselves from deliberations on the subject matter.
- Refrained from voting on the subject matter (such abstentions from Board decision are duly recorded).

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

Definition	Status of Conformity
Shareholding carrying not less than 10 per cent of voting rights	None of the individual NED/IDs shareholding exceeds 1 per cent
Director of another Company	None of the NED/IDs are Directors of another Related Party Company as defined
Income/non cash benefit equivalent to 20 per cent of the Director's income	NED/ID income/non cash benefits are less than 20 per cent of individual Director's income
Employment at JKH two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at JKH
Close family member who is a Director or CEO	No family member of the NED/IDs is a Director or CEO of a Related Party Company
Has served on the Board continuously for a period exceeding nine years	Compliant by assessment and resolution - Mr. P Jayawardene, Prof. U Liyanage and Mr. A Rasiah have all completed more than 9 consecutive years as members of the Board. However the Board having reviewed their interest and their ability to bring strong independent oversight to the Board, established that they continue to demonstrate their independence.

3.1.6 Board Tenure, Retirement and Re-election

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

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

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

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

3.1.7 Access to Independent Professional Advice

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

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

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

3.1.8 Role of the Chairman of the Board

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

Corporate Governance

Date Directors	24th April 2014	21st July 2014	23rd October 2014	19th January 2015
Mr. S C Ratnayake	√	√	√	√
Mr. A D Gunewardene	√	√	√	√
Mr. J R F Peiris	√	√	√	√
Mr. J R Gunaratne	√	√	√	√
Prof U P Liyanage	--	√	√	--
Mr. P S Jayawardena PC	√	--	√	√
Mr. A R Rasiah	√	√	√	√

leadership to the Board and ensuring that proper order and effective discharge of Board functions are carried out at all times by the Board Members. The roles of the Chairman and the President / Chief Executive Officer (CEO) are separate with a clear distinction of responsibilities between them. The Executive responsibility for the functioning of the Company's business including implementation of strategies approved by the Board and developing and recommending to the Board the business plans and budgets that support the Company's strategy has been entrusted to the President / CEO.

3.1.9 Board Meetings

3.1.9.1 Regularity of Meetings

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

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

3.1.9.2 Typical Board Agenda

- Confirmation of previous minutes
- Ratification of Circular resolutions
- Board Sub Committee reports and other matters exclusive to the Board
- Matters arising from the previous minutes
- Status updates of major projects
- Review of performance – in summary and in detail, including high level commentary on actuals and outlook
- Summation of strategic issues discussed at pre-Board meetings
- Board Sub Committee report and other matters exclusive to the Board
- Approval of Quarterly and Annual Financial Statements
- Ratification of capital expenditure, disposal of fixed assets and donations
- Ratification of the use of the Company seal and share certificates issued
- New resolutions
- Ratification of circular resolutions
- Report on Corporate Social Responsibility
- Any other business; review of risks, sustainability development, HR practices/updates, etc

3.1.9.3 Supply of Information

In order to ensure robust discussion, informed deliberation and effective decision making, the Directors are provided access to;

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

3.1.9.4 Board Secretary

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

3.1.10 Board Directors Delegation of Authority

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

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

3.1.11 Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2014/15. This formalised process of individual appraisal enabled each member to self-appraise on an anonymous basis, the performance of the Board under the areas of;

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

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

3.1.11 Group Executive Committee (GEC) of the Parent Company

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

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

3.1.11.1 Composition

As at 31 March 2015, the 10 member GEC consisted of the Chairman-CEO, the Deputy Chairman, and the Group Finance Director of JKH and the Presidents of each business/function of JKH.

3.1.11.2 Key Responsibilities

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

3.1.11.3 Enablers of the JKH Operating Model

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the JKH Group. Towards this end, GEC members, particularly the Presidents, not only play a mentoring role, but are totally accountable for the business units and functions under their purview. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.

3.1.12 Group Management Committee (GMC)

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

3.1.12.1 Key Objective

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

3.1.12.2 Scope

The agenda of the GMC is carefully structured to avoid duplication of effort and ensure that discussions and debate are complementary both in terms of a bottom-up and top-down flow of accountabilities

Corporate Governance

and information. Responsibility and accountability of the effective functioning of the GMC are vested with the President, the functional heads and the profit centre/ function managers as applicable.

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

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

3.1.13 Employee Empowerment

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

Top management and other senior staff were mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.

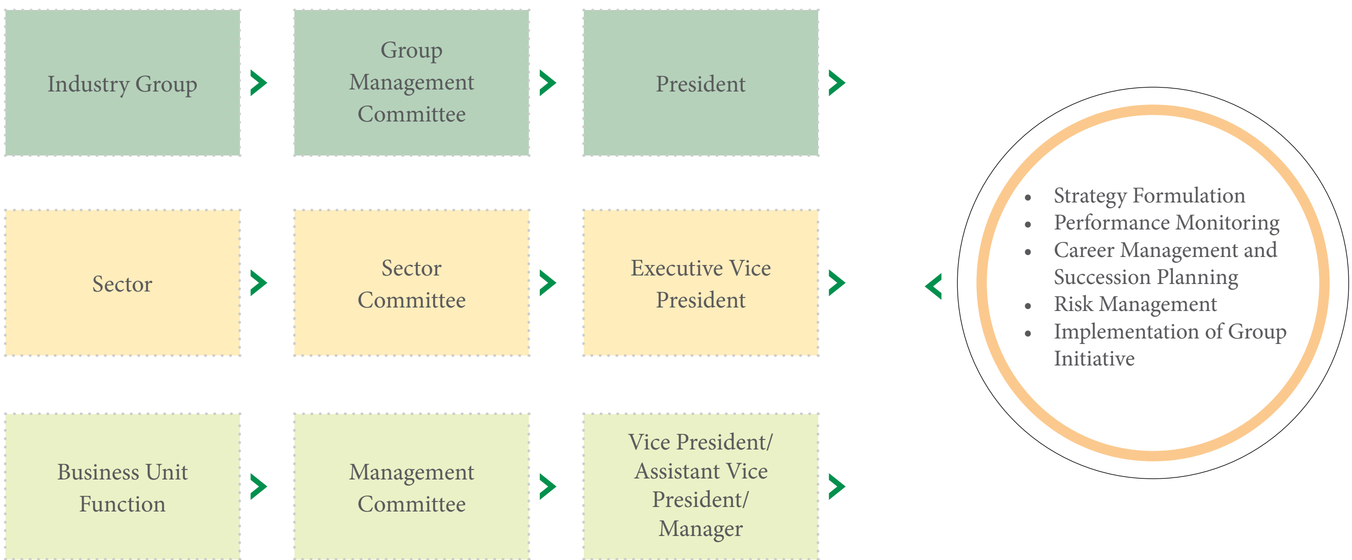
Decision rights were defined for each level of employment in order to instill a sense of ownership, reduce bureaucracy and speed-up the decision making process.

A bottom-up approach was taken in the preparation of annual and long-term plans and the Group also ensured employee involvement in strategy, and thereby empowerment, in the process.

Organisational and Committee structures are designed to enable, and facilitate, high accessibility of all employees to every level of management.

Open, honest, frank and constructive communication was encouraged at all levels. The Group strongly believes that constructive disagreement is essential for optimal decision making.

Moreover, the Group provides a safe, secure and conducive environment for its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race



or religion, and promotes workplaces which are free from physical, verbal or sexual harassment. Additionally, the Group strives to incorporate these practices, where relevant, in the supply chain contracts entered into by the Group.

3.1.14 Audit Committee

The Audit Committee comprises solely Non-Executive, Independent Directors and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange and is governed by a Charter.

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company and the Group, the internal control and risk management systems of the Company and the Subsidiary and its compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence.

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

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

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

The Audit Committee had four (4) meetings during the year and attendance of the Audit Committee members are indicated in the Audit Committee Report on page 137.

The President-CEO, the Chief Financial Officer (CFO), the Sector Financial Controller and other operational heads are invited to the meetings of the Audit Committee. The detailed Audit Committee report including areas reviewed during the financial year 2014/15 is given on pages 137 to 139 of the Annual Report.

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

Corporate Governance

3.1.15 Human Resources and Compensation Committee of the Parent Company

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

The compensation Committee of the Parent Company consists of following four Non Executive Independent

1. Mr. E F G Amerasinghe – Chairman
2. Mr. I Coomaraswamy
3. Mr. A N Fonseka
4. Mr. M A Omar
5. Mr. A Cabraal (appointed w.e.f 29th January 2015)
6. Mr. A R Gunasekera (resigned w.e.f 30th June 2014)

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

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

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

3.1.16 Nominations Committee of the Parent Company

There are six (6) members in the Group nomination Committee as follows

1. Mr. T Das – Chairman
2. Mr. E F G Amerasinghe
3. Mr. D A Cabraal
4. Mr. M A Omar
5. Mr. S C Ratnayake
6. Ms. M P Perera (appointed w.e.f 24th July 2014)

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

3.1.17 Related Party Transaction Review Committee of the Parent Company

The Committee consist of six (6) members as follows -

1. Mr. A N Fonseka – Chairman
2. Mr. E F G Amerasinghe
3. Mr. D A Cabraal
4. Mr. J R F Peiris
5. Ms M P Perera (appointed w.e.f 24th July 2014)
6. Mr. S C Ratnayake

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

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

Corporate Governance

3.1.18 Director Remuneration

3.1.18.1 Executive Director Remuneration

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

The remuneration of the Executive Director has a significant element which is variable. This variability is linked to the peer adjusted Consolidated Consumer Foods Sector bottom line and the peer adjusted JKH Group Consolidated bottom line and return on shareholder funds. The fixed to variable ratio is approximately 1:1, when the performance at both individual and organisational levels well exceeds expectations.

The Executive Director, like any other eligible employee is eligible to receive employee share options (ESOP) of John Keells Holdings PLC based on actual performance. Accordingly, the number of options so awarded are recommended to the Board by the Human Resources and Compensation Committee of JKH. Such options are awarded at the volume weighted average share price taking into consideration all transactions of John Keells Holding PLC during the 30 market days immediately preceding the award date. As prescribed by the Sri Lanka Accounting Standards (SLFRS / LKAS) all ESOPs are charged to the income statements of the employing companies of the respective employees with effect from 01st July 2014 being the date of the first award after introduction of the accounting standard.

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

Executive Director Remuneration is reviewed periodically against market comparators.

3.1.18.2 Non-Executive Director Remuneration

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

3.1.18.3 Compensation for Early Termination

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

1. Executive Director; as per employment contract like any other employee.
2. NEDs; Director Fees payable, if any, are payable in terms of his/her contract.

3.1.19 Directors' Responsibilities

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

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

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

3.1.20 Going Concern

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

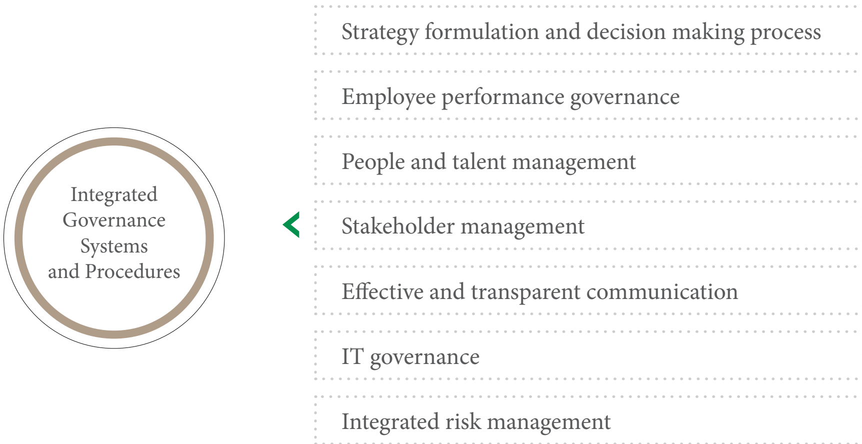
The going concern principle has been adopted in preparing the Financial Statements. All statutory and material declarations are highlighted in the Annual Report of the Board of Directors in the Annual Report. Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards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

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

3.2 Integrated Governance Systems And Procedures

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

- Strategy formulation and decision making
- Employee Performance governance
- People and talent management
- Stakeholder management and effective communications
- Effective and transparent communication
- IT governance
- Integrated risk management



3.2.1 Strategy formulation and decision making

STEP 1

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

- customer and stakeholder needs and the expectations of the society as a whole
- organisation's capabilities to generate the required products and services
- opportunities and threats that arise from competitive environments
- risks associated with the operating landscape

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

STEP 2

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

STEP 3

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

STEP 4

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

STEP 5

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

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

3.2.1.1 Project Approval Process

Projects undertaken at the JKH Group follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility only, but encompasses a wider scope of work covering risk management, sustainable development and HR considerations as well as social and environmental impacts

Corporate Governance

will also be considered in ensuring the sustainability of the business and the communities impacted by it.

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

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

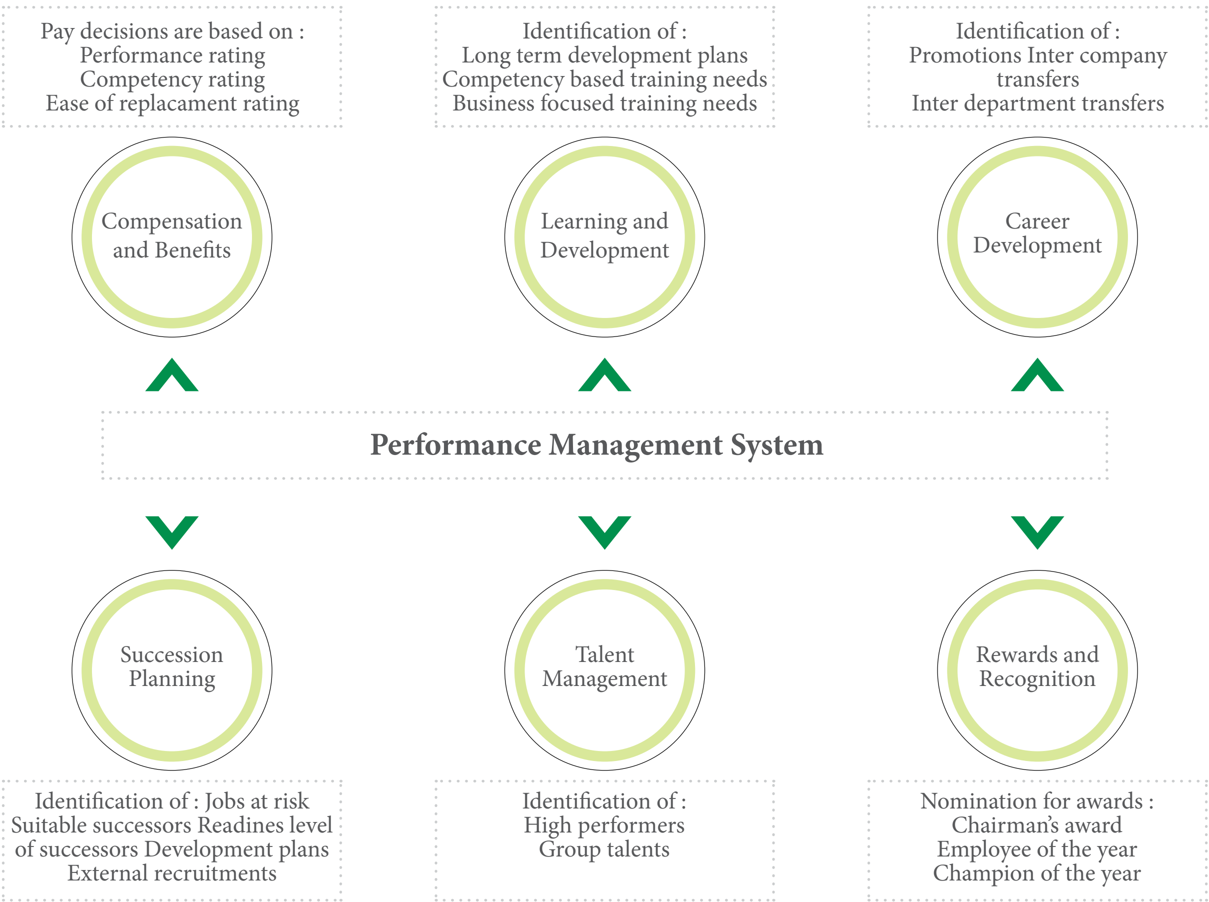
RISK MANAGEMENT

Project Origination > Feasibility Study > Review by the GEC > Due Diligence > Board/GEC Approval

SUSTAINABILITY MANAGEMENT

Project Appraisal Framework Flow is illustrated below:

JKH Group Performance Management System



3.2.2 Employee Performance Governance

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

3.2.2.1 Performance Management

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

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

3.2.2.2 Performance based Compensation

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

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

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

Corporate Governance

JKH Group compensation policy

Performance Management

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

Satisfaction

"More than just a workplace"
Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

Compensation Policy

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

Internal Equity

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

External Equity

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

3.2.2.3 Equity Sharing

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

The equity sharing scheme has primarily paved the way for;

- Improved employee commitment and buy-in to management goals
- Alignment of interest between employees and shareholders
- Emergence of a more transparent governance mechanism
- As per the historical data, the financial benefit of the long term incentive scheme (ESOP) had been far greater than that of short term incentives and these long term incentives have been very instrumental in inculcating, in the recipients, a deep sense of ownership.

3.2.3 People and Talent Management

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

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

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

3.2.3.1 Employee Involvement and Empowerment

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights are defined for each level in order to instill a sense of ownership, reduce bureaucracy and speed-up the decision making process.
- A bottom-up approach is taken in the preparation of annual and five year plans and the Group also ensures employee involvement and empowerment in the process.
- Employee relations are designed to enable, and facilitate, high accessibility by all employees to every level of management.

Stakeholder Management

Shareholders /Investors	• Presence of an investor relations team • Prompt release of information to Public/CSE • Effective communication of AGM related matters • Measures in place in case of serious loss of capital
Customers /Suppliers	• Providing of quality and safe products • Constant engagement with customers • Procedures to ensure long term business relationships with suppliers
Governments	• Transactions in compliance with all relevant laws and regulations, transparently and ethically • Zero tolerance policy in ensuring that all business units meet their statutory obligations in time and in full
Key Stakeholder	• Provision of formal and sometimes informal, access to other key stakeholders
Employees	• Accessibility to all levels of the management • Various means for employee involvement • Corporate Communications JK Forum Young Forum

Corporate Governance

3.2.4 Stakeholder Management

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

3.2.4.1 Employee Relations

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

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

3.2.4.2 Dialogue with Shareholders

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

3.2.4.3 Other Stakeholders: Corporate Social Responsibility and Sustainability

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

3.2.5 Effective and Transparent Communication

3.2.5.1 Employee Communication

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

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

Participation in JK Forum by CCS and JMSL employees – This is a quarterly event where employees are invited to share their views, and knowledge, on a topical issue. These meetings invariably end with useful employee suggestions. At times, eminent persons are also invited to share their knowledge and expertise on specific subjects.

Participation in JKH "Young Forum" by CCS and JMSL employees– An occasion, once every 2 months, where groups of young ladies and gentlemen at various levels within the Group meet with the Executive Directors in an informal setting to express their views, share their concerns and makes suggestions. This has proved to be an effective means of effective two way communication and many positive developments have emerged from these forums. The concept has now been further broad-based with each industry group/ sector having its own "young forums".

3.2.5.2 Investor Communication

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

- staying visible and building relationships
- being factual
- focusing on the long-term view and strength of the financial position
- responding to queries and clarifying concerns of investors
- coordinating media relations and investor communications

3.2.5.3 Constructive use of the Annual General Meeting (AGM)

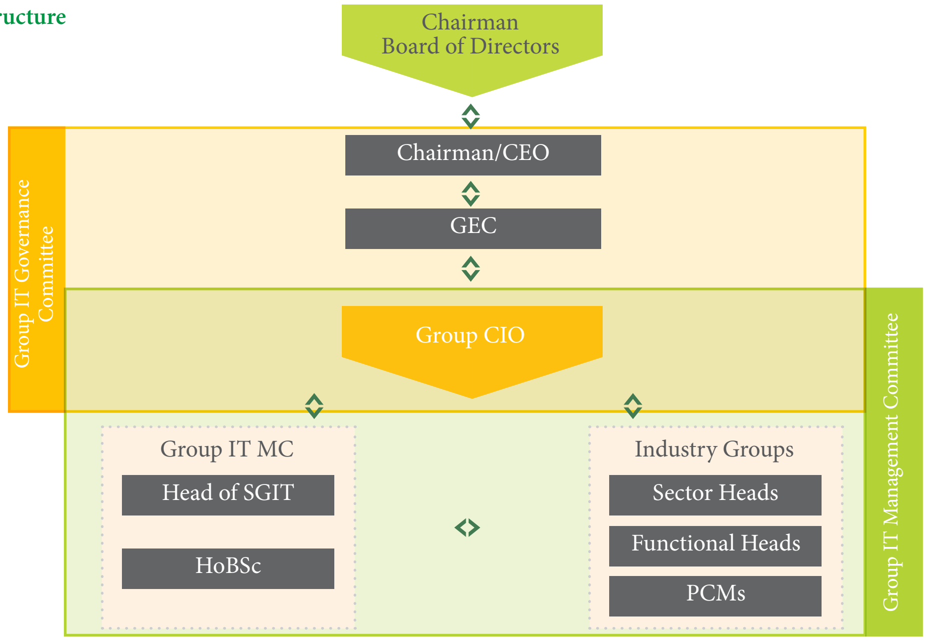
Shareholders have the opportunity at the AGM, to put forward questions to the Board and to the Chairman and the Chairman of the Audit Committee to have better familiarity with the Group's business and operational workings. The contents of this Annual Report will enable existing and prospective stakeholders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

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

3. 2. 6 Information Technology Governance

The Group believes that 'Information Technology is a Strategic Asset and as such it needs to be managed to leverage competitive business benefits for the Group.

JKH Group IT Structure



3.2.6.1 IT Governance Objectives

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

- Leverage IT as a Strategic Asset
- Create an "Agile Governance Model"
- Create better alignment between business and IT
- Create greater business value with our investments in IT
- Create a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best practices in line with world-class organisations
- The basic philosophy of the IT Governance is based on Business Value Creation vis-à-vis Capital, Benefit, Cost and Risk
- The Governance is based on the following model in aligning IT Value, Performance, Risk and Accountability across the group through well-defined governance structures, procedures, policies

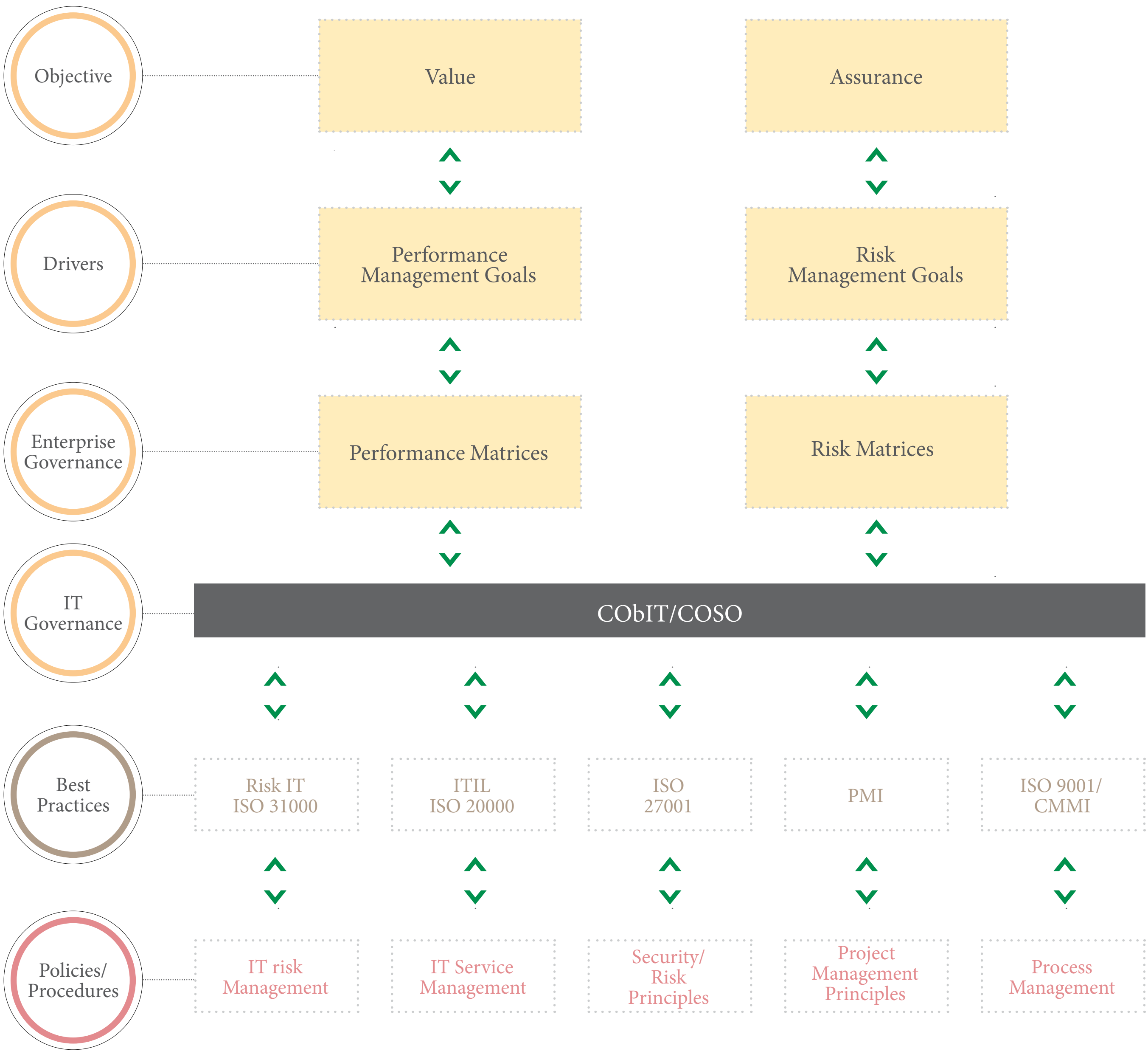
IT Governance Mandate

Corporate Governance

3.2.6.2 IT Governance Framework

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

IT Governance Framework



3.2.7 Integrated Risk Management

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

The following steps are taken towards promoting the Group's integrated risk management;

- Integrating and aligning activities and processes related to planning, policies/procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically, legally, and within the established limits for risk taking.
- The detailed Risk Management report of the Annual Report describes the process of risk management as adopted by the Group and the identified key risks to the achievement of the Group's strategic business objectives.

4. ASSURANCE

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

4.1 Independent Directors

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

4.2 Audit Committee

The Audit Committee plays an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board. For more information refer to Audit Committee section on pages 137 to 139.

4.3 Employee Participation in Assurance

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

Skip level meetings - Employees at Assistant Manager and all levels above can discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment.

Exit interviews - This is mandated for all Executive and above level. All such reports are forwarded to the respective President and EVP for their comments and are subsequently discussed by GEC once in every 2 months.

360 degree evaluation - All employees at Manager and AVP and above levels, including the Chairman (direct report evaluation only) subject to a 360 degree evaluation conducted by an independent 3rd party.

Great Place to Work Survey – These anonymous surveys are aimed at knowing, at regular intervals, whether employees consider JKH and its Subsidiaries as 'great workplaces'. These surveys, through a benchmark of JKH and its Subsidiaries against globally renowned organisations, makes visible areas of employee concerns. Following such surveys, the Group engages focused discussion groups in reviewing the highlighted areas of concern and considers the discussion group's suggestions where relevant and appropriate. Experience has confirmed that this has contributed to significant improvements in the employee perceptions of the Group particularly in respect of practices, policies and behaviours that build credibility, respect and fairness.

Voice of Employee Survey -These are dip stick surveys done at regular intervals to assess employee satisfaction.

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

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

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

Monitoring of financial data - Actual financials are compared against the original plan on a monthly basis and material

GRI-G4
G4-56

Corporate Governance

variances are identified and explanations are discussed at the GMC whilst a mid-year reforecast is done where necessary.

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

4.4 Internal Control

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

4.4.1 Internal Compliance

A quarterly self-certification programme requires the President-CEO and the Sector Financial Controller to confirm compliance with Financial Standards and regulations. Further, the President-CEO and the Heads of Business Units are required to confirm operational compliance with statutory and other regulations and key control procedures, and also identify any significant deviations from the expected norms.

4.4.2 System of Internal Control

The internal audit function in the Company and the Subsidiary is not outsourced to the External Auditor in a further attempt to ensure external auditors independence. The Auditor's report on the Financial Statements of the Company and the Group for the year under review is found in the Financial Information section of the Annual Report.

The Risk Review Programme covering the Internal Audit of the Company is outsourced to Messrs. PricewaterhouseCoopers (Pvt) Ltds, a firm of Chartered Accountants and that of the Subsidiary is outsourced to Binder Dijker Otte (BDO) Partners – Chartered Accountants and the reports arising out of such audits are, in the first instance, considered and discussed at the business / functional unit levels and after review by the respective President/CEO of the Company and the Subsidiary are forwarded to the Audit Committee on a regular basis. Further, the Audit Committee also assess the effectiveness of the risk review process and systems of internal control on a regular basis. Follow-ups on internal audits are done on a structured basis.

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

4.5 Code of Conduct

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

Group Values

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

4.6 Ombudsperson

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

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

The Chairman will place before the Board;

a. The decision and the recommendations
b. Action taken based on the recommendations
c. Where the Chairman disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.
d. In situation (C) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairman is expected to take such steps as are necessary to ensure that the complainant is not victimised for having invoked this process.

4.7 External Audit

Ernst & Young is the External Auditor of the Company as well as of the Subsidiary. they also audits the Consolidated Financial Statements of the Company.

In addition to the normal audit services, Ernst & Young and the other External Auditors, also provided certain non-audit services to the Group. However, the lead/ consolidating auditor would not engage in any services which are in the restricted category as defined by the CSE for External

Auditors. All such services have been provided with the full knowledge of the Audit Committee and are assessed to ensure that there is no compromise of External Auditor independence.

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

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

5. CORPORATE GOVERNANCE REGULATORY FRAMEWORK

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

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

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

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

This Report has been prepared as per the rules and regulations stipulated by the Corporate Governance Listing Rules published by the Colombo Stock Exchange (revised in 2013) and also by the Companies Act, No. 07 of 2007.

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

5.1 Levels of Compliance with the Colombo Stock Exchange's new listing rules - Section 7.10, Rules on Corporate Governance (Mandatory Provisions – Fully Complied)

Rule No.	Subject	Applicable requirement	Compliance Status	CCS / JKH (Parent) Action
7.10 (a/b/c)	Compliance	Compliance with Corporate Governance Rules.	Compliant	CCS is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1(a/b/c)	Non-Executive Directors (NED)	Two or at least one third of the total number of Directors should be Non-Executive Directors.	Compliant	7 out of the 8 Board members are NEDs. The Company is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time in line with needs.
7.10.2(a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be independent.	Compliant	4 out of the 7 NEDs are independent.

Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	CCS / JKH (Parent) Action
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence / Non-Independence in the prescribed format.	Compliant	Available with Secretaries for Review. Independence of the Directors has been determined in accordance with CSE Listing Rules, and the four (4) Independent Non-Executive members have submitted signed confirmation of their independence.
7.10.3(a/b)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Compliant	Corporate Governance Report All Independent Non-Executive Directors have submitted signed declarations as to their independence.
7.10.3(c)	Disclosure relating to Directors	A brief resumé of each Director should be included in the Annual Report and should include the Directors' areas of expertise.	Compliant	Refer to Board of Directors' profile section in the Annual Report.
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Colombo Stock Exchange.	Compliant	Mr. M Hamza was appointed as a Director on 15th May 2015. A brief profile of him is given on page 19 and a detailed resume was submitted to the Colombo Stock Exchange.
7.10.4 (a-h)	Determination of Independence	Requirements for meeting the criteria to be an Independent Director.	Compliant	Refer to Board of Directors profile section in the Annual Report.
7.10.5.(a1)	Remuneration Committee	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent.	Compliant	The Human Resources and Compensation Committee of the Parent (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent Non-Executive Directors.
7.10.5(a2)	Composition of Remuneration Committee	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Compliant	The Senior Independent Non-Executive Director of the Parent is the Chairman of the Committee.
7.10.5.(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	The remuneration of the President-CEO of the Company and that of the President and the CEO of the Subsidiary is determined as per the remuneration principles of the JK Group and recommended by the Human Resources and Compensation Committee.

Rule No.	Subject	Applicable requirement	Compliance Status	CCS / JKH (Parent) Action
7.10.5.(c1)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Remuneration Committee members.	Compliant	Refer Board Committees section of the Annual Report.
7.10.5.(c2)		Statement of Remuneration policy.	Compliant	Refer Corporate Governance Section.
7.10.5.(c3)		Aggregate remuneration paid to EDs and NEDs.	Compliant	Refer Director Remuneration section of the Annual Report on page 94.
7.10.6(a1)	Composition of the Audit Committee	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent.	Compliant	The Audit Committee comprises only Independent Non-Executive Directors.
7.10.6(a2)		A NED shall be the Chairman of the Committee.	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director.
7.10.6(a3)		CEO and CFO should attend AC meetings.	Compliant	The President / CEO, the CFO and the Sector Financial Controller and the External Auditors attended Audit Committee meetings by invitation.
7.10.6(a4)		The Chairman of the Audit Committee or one member should be a member of a Professional Accounting body.	Compliant	The Chairman of the Audit Committee is a member of a Professional Accounting body.
7.10.6(b1)	Functions of the Audit Committee	Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with SLFRS/LKAS.	Compliant	The Audit Committee assists the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company and the Group.
7.10.6(b2)		Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations.	Compliant	The Audit Committee has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies.
7.10.6(b3)		Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLFRS/ LKAS.	Compliant	The Audit Committee assesses the effectiveness of internal controls and risk management.
7.10.6(b4)		Assessment of the independence and performance of the Entity's External Auditors.	Compliant	The Audit Committee assesses the External Auditor's performance, qualifications and independence.
7.10.6(b5)		Make recommendations to the Board pertaining to External Auditors.	Compliant	The Committee is responsible for appointment, re-appointment, removal of External Auditors and also the approval of the remuneration and terms of engagement.

Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	CCS / JKH (Parent) Action
7.10.6(c1)	Disclosure in Annual Report relating to Audit Committee	Names of the Audit Committee members shall be disclosed.	Compliant	Refer Board Committees section of the Annual Report.
7.10.6(c2)		Audit Committee shall make a determination of the independence of the External Auditors.	Compliant	Refer Report of the Audit Committee in the Annual Report.
7.10.6(c3)		Report on the manner in which Audit Committee carried out its functions.	Compliant	Refer Report of the Audit Committee in the Annual Report.

Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) - (Issued on 1st July 2008, Revised in September 2013)

Voluntary Provisions – Fully Complied

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

CSE Rule	Compliance Status	Action
A. 1. 3 Act in accordance with the laws of the country and obtain professional advice as and when required.	Yes	The Board seeks independent professional advice when deemed necessary. During the year under review, professional advice was sought on various matters, including the following: • Employee satisfaction survey and employee compensation and benefit survey done to ensure that the Group is considered "more than just a work place" by the employees. • Legal, tax and accounting aspects, particularly where independent external advice was deemed necessary in ensuring the integrity of the subject decision. • Market surveys, research and expert opinion on the products and services offered as necessary for business operations. • Actuarial valuation of retirement benefits and valuation of property including that of investment property. • Specific technical know-how and domain knowledge required for identified project feasibility and evaluations.
A. 1. 4 Access to advice and services of the Company Secretary.	Yes	To ensure robust deliberation and optimum decision making, the Directors have access to the services of the Company Secretaries whose appointment and/or removal is the responsibility of the Board.
A. 1. 5 Bring independent judgement on various business issues and standards of business conduct.	Yes	Collectively the NEDs bring a wealth of value adding knowledge to ensure that adequate Board diversity is available to make independent judgements on various business matters from a broader perspective.
A. 1. 6 Dedication of adequate time and effort.	Yes	Every member of the Board has dedicated adequate time and effort for the affairs of the Company by attending Board meetings, Board Sub-Committee Meetings and by making decisions via circular resolutions. In addition, the Board members have meetings and discussions with management when required. The Board met on four (4) occasions during the Year and the Chairman and all Directors attended all meetings unless they had excused themselves from the meeting. The Board is satisfied that the Chairman and the Non-Executive Directors committed sufficient time during the year to fulfil their duties.

Corporate Governance

CSE Rule	Compliance Status	Action
A. 1. 7 Board induction and training.	Yes	In instances where Non-Executive Directors are newly appointed to the Board, they are apprised of the: • Values and culture. • Operations of the Group and its strategies. • Operating model. • Policies, governance framework and processes. • Responsibilities as a Director in terms of prevailing legislation. • The Code of Conduct demanded by the Company. • Brief on important developments in the business activities of the Group. • The Board policy on Directors' training is to provide adequate opportunities for continuous development, subject to requirement and relevance to each Director. • The Directors are constantly updated on the latest trends and issues facing the Company and the industry in general.
A. 2 Chairman and Chief Executive Officer		
A.2 Division of responsibilities between the Chairman and CEO.	Yes	The positions of Chairman and CEO are separated to ensure a balance of power and authority and to prevent any one individual from possessing unfettered decision making authority.
A. 2. 1 Decision to combine the roles of the Chairman and the CEO in one person.	Yes	In accordance with best practice and in order to maintain a clear division of responsibilities, the roles of Chairman and CEO have not been combined.
A. 3 Chairman's Role		
A. 3 Preserving order and facilitating the effective discharge of Board functions.	Yes	The Chairman is responsible for leading the Board and for its effectiveness. In practice, this means taking responsibility for the Board's composition, appraisal and development, ensuring that the Board focuses on its key tasks and supports the President – CEO. The Chairman is also the ultimate point of contact for shareholders, particularly on corporate governance issues. The Board continued to have three Independent Non-Executive Directors during 2014/15 in accordance with best practice.

CSE Rule	Compliance Status	Action
A 3.1 The Chairman should ensure Board proceedings are conducted in a proper manner.	Yes	The Chairman is instrumental in; • Leading the Board for its effectiveness. • Directing the Board towards discharging stakeholder duties. • Setting the tone for the governance and ethical framework. • Ensuring that constructive working relations are maintained between the Executive and Non-Executive members of the Board. • Guaranteeing that the Board is in control of the Company's affairs.
A. 4 Financial Acumen		
A. 4 The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Yes	Two out of the Eight Board members hold membership in professional accounting bodies.
A. 5 Board Balance		
A. 5. 1 In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	Yes	Chairman and CEO are two different individuals. 7 out of 8 Directors are Non Executive
A 5. 2 Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be Independent.	Yes	Compliant with the rules which require a minimum of two Independent Non-Executive Directors on the Board. Mr. A. R. Rasiah, Prof U. P. Liyanage and Mr. P. S. Jayawardene continued to be Independent Non-Executive Directors during the year 2014/15. Mr. M. Hamza was appointed as an Independent Non-Executive Director on 15th May 2015. A brief profile of him is given on page 19. Accordingly, the Company continued to be in compliance with the requirement to have the higher of two, or one third of Non-Executive Directors, as "Independent" Non-Executive Directors.
A. 5. 3 Definition of Independent Directors .	Yes	All the Independent Directors of the CCS Board are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.
A. 5. 4 Declaration of Independent Directors.	Yes	Each Non-Executive Director has submitted a signed and dated declaration of his/her independence.
A. 5. 5 Board determinations on Independence or Non-Independence of Non-Executive Directors.	Yes	The names of the Independent Non-Executive Directors are disclosed in the annual report.
A.5.6 If an alternate Director is appointed by a Non-Executive Director such an alternate Director should not be an executive of the Company.	N/A	No alternative Directors were appointed during the year ended 31st March 2015.

Corporate Governance

CSE Rule	Compliance Status	Action
A. 5. 7 In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the "Senior Independent Director" (SID).	N/A	Not Applicable since Chairman and CEO are two different individuals.
A. 5. 8 The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns.	N/A	
A. 5. 9 The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present.	Yes	Whilst there is no formal structure to have such meetings, the Chairman has an open door policy to allow Independent Directors to have a discussion on any issue which in their opinion is significant. During the year under review the Chairman had discussions with Independent Directors on an informal basis.
A. 5. 10 Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	Yes	All Board meeting proceedings are comprehensively recorded in the Board Minutes.
A. 6 Supply of information		
A. 6.1 Board should be provided with timely information to enable it to discharge its duties.	Yes	The Board is provided with; • Information as is necessary to carry out their duties and responsibilities effectively and efficiently. • Information updates from management on topical matters, new regulations and best practices as relevant to the business. • External and internal auditors. • Experts and other external professional services. • Periodic performance report. • Senior management under a structured arrangement.
A. 6. 2 Timely submission of the minutes, agenda and papers required for the Board Meeting.	Yes	The Board papers are circulated a week prior to Board meetings.
A. 7 Appointments to the Board		
A. 7 Formal and transparent procedure for the Board appointments.	Yes	Board appointments follow a transparent and formal process within the purview of the Nominations Committee of the Parent Company.
A. 7. 1 Nomination Committee to make recommendations on new Board appointments.	Yes	It is the responsibility of the Nominations Committee of the Parent Company to identify and propose suitable candidates for appointment as Non-Executive Directors to the Board of CCS as and when required, in keeping with the target Board composition and skill requirements.

CSE Rule	Compliance Status	Action
A. 7. 2 Assessment of the capability of Board to meet strategic demands of the Company.	Yes	The emerging needs, combined with the objectives and the strategies set for the future are considered key when identifying skill sets required by potential Board members, especially skills that may not be readily available within Sri Lanka. Based on these requirements the Nominations Committee scans the external environment to identify potential candidates that can add value to the existing Board.
A. 7. 3 Disclosure of the new Board member profile and interests.	Yes	Mr M. Hamza was appointed as an Independent Non-Executive Director on 15th May 2015. A brief profile of him is given on page 19.
A. 8 Re - election		
A. 8 / A. 8. 1 / A. 8. 2 Re-election at regular intervals and should be subject to election and re-election by shareholders.	Yes	One third of the Directors, except the Chairman retire by rotation as provided in the articles of the Company. A Director so retiring is eligible for re-election by a shareholder resolution at the AGM. A new Director appointed shall hold office until the next Annual General Meeting and be eligible for re-election, but shall not be taken into account in determining the number of Directors who retire by rotation as such meeting. The resolutions for the AGM to be held on 18th June 2015 cover re-election of: • Prof U P Liyanage • Mr. A R Rasiah • Mr. M Hamza
A. 9 Appraisal of Board Performance		
A. 9. 1 The Board should annually appraise itself on its performance in the discharge of its key responsibilities. A. 9. 2 The Board should also undertake an annual self-evaluation of its own performance and that of its Committees. A. 9. 3 The Board should state how such performance evaluations have been conducted.	Yes Yes Yes	The Board conducts Board performance appraisal annually. This is a formalised process of self-appraisal which enables each member to self-appraise on an anonymous basis, the performance of the Board, using a very detailed checklist / questionnaire, under the areas of; • Role clarity and effective discharge of responsibilities. • People mix and structures. • Systems and procedures. • Quality of participation. • Board image.
A. 10 Disclosure of information in respect of Directors		
A. 10. 1 Profiles of the Board of Directors	Yes	Refer Board of Directors profiles section
A. 11 Appraisal of the Chief Executive Officer		
A. 11. 1 / A. 11. 2 Appraisal of the CEO against the set strategic targets	Yes	The Chairman and the Non-Executive Non Independent Directors appraise the performance of the CEO of the Company and the CEO of the Subsidiary on the basis of pre-agreed objectives for the Company and the Subsidiary set in consultation with the Board.

Corporate Governance

CSE Rule	Compliance Status	Action
B. Directors' Remuneration		
B. 1 Remuneration Procedure		
B. 1. 1 The Board of Directors should set up a Remuneration Committee.	Yes	The Human Resources and Compensation Committee of the Parent, acts as the Compensation Committee of the Group and functions within agreed terms of reference. Details and composition of the Human Resources and Compensation Committee is provided in the "Human Resources and Compensation Committee and Policy" section in the Corporate Governance Report.
B. 1. 2 Remuneration Committees should consist exclusively of Non-Executive Directors.	Yes	The Human Resources and Compensation Committee of the Parent only consists of Non-Executive Directors and is headed by the Senior Independent Director of JKH.
B. 1. 3 The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	Yes	Refer details on Board Committees.
B. 1. 4 Determination of the remuneration of Non-Executive Directors.	Yes	NEDs receive a fee for devoting time and expertise for the benefit of the Group in their capacity as Director and additional fees for either chairing or being a member of a Committee. NEDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group's pension plans or share option plans. Non-Executive Director fees are not time bound or defined by a maximum/minimum of hours committed to the Group per annum, and hence are not subject to additional/lower fees for additional/lesser time devoted.
B. 1. 5 Access to professional advice.	Yes	The Remuneration Committee has access to professional advice from within and outside the Company.
B. 2 The level and makeup of Remuneration		
B. 2. 1 to B. 2. 4 Performance related elements in pay structure and alignment to industry practices.	Yes	The remuneration of the Senior Management has a higher variable component relative to the lower rank executives because of the impact on decision making.
B. 2. 5 Executive share options should not be offered at a discount.	Yes	The senior management is entitled to participate in the share option scheme initiated by the JKH Group. Executive share options were not offered at a discount.
B. 2. 6 Designing schemes of performance-related remuneration.	Yes	Basis of performance related remuneration schemes are known up front. In terms of long term incentive schemes, the senior management is entitled to participate in the share option scheme initiated by the JKH Group. Performance related remuneration schemes are not applied retrospectively. Annual bonuses are not pensionable. Non-Executive Directors are not eligible to performance based remuneration schemes.
B. 2. 7 / B. 2. 8 Compensation commitments in the event of early termination of the Directors.	Yes	There are no terminal compensation commitments other than gratuity in the Company's contracts of service.

CSE Rule	Compliance Status	Action
B. 2. 9 Level of remuneration of Non-Executive Directors.	Yes	Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable companies. The fees received by NEDs are determined by the Board and reviewed annually.
B. 3 Disclosure of Remuneration		
B. 3 / B. 3. 1 Disclosure of remuneration policy and aggregate remuneration.	Yes	In accordance with the guidelines of the Securities and Exchange Commission of Sri Lanka aggregate remuneration paid to Executive and Non-Executive Directors during the financial year 2014/15 is disclosed in page 166 under Notes to the Financial Statements.

C. Relations with Shareholders

C. 1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings
Shareholders have the opportunity at the AGM, to put forward questions to the Board and to the Chairman, President-CEO and the Chairman of the Audit Committee to have better familiarity with the Group's business and operational workings.

C. 1. 1 Counting of proxy votes	Yes	Complied
C. 1. 2 Separate resolution to be proposed for each item.	Yes	Complied
C. 1. 3 Heads of Board Sub Committees to be available to answer queries.	Yes	Head of the Audit Committee is available to answer queries.
C. 1. 4 Notice of Annual General Meeting to be sent to shareholders with other papers as per statute.	Yes	Notice of the AGM and related documents are sent to shareholders along with the Annual Report within the specified period. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.
C. 1. 5 Summary of procedures governing voting at General meetings to be informed.	Yes	A summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders 15 working days prior to the AGM.
C. 2 Communication with shareholders.		
C. 2. 1. Channel to reach all shareholders to disseminate timely information.	Yes	The Investor Relations team of the Parent is responsible for maintaining an active dialogue with shareholders.
C. 2. 2 - C.2.7 Policy and methodology of communication with shareholders and implementation.	Yes	Staying visible and building relationships. Focusing on the publicly known medium to long-term view and strength of the Company's financial position and the Company's track record of delivery. Responding to queries and clarifying concerns of shareholders. Coordinating media relations and investor communications.
C. 3 Major and Material Transactions including major Related Party Transactions.		
C. 3. 1 Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets.	Yes	All material and price sensitive information about the Company is promptly communicated to the Colombo Stock Exchange, where the shares of the Company are listed, and released to the press and shareholders. The Company also publishes Quarterly interim Financial Statements.

Corporate Governance

CSE Rule	Compliance Status	Action
D. 1 Financial Reporting		
D. 1. 1 Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators.	Yes	The Board of Directors in consultation with the Audit Committee have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements. All price sensitive information has been made known to the Colombo Stock Exchange, shareholders and the press in a timely manner and in keeping with the regulations.
D. 1. 2 Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary.	Yes	All statutory and material declarations are highlighted in the Annual Report of the Board of Directors in the Annual Report.
D. 1. 3 Statement of Directors' responsibility.	Yes	Refer Statement on Directors' Responsibility on page 140
D. 1. 4 Business Review	Yes	Refer Business Review Section on pages 23 to 79
D. 1. 5 The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	Yes	The Board of Directors upon the recommendation of the Audit Committee is satisfied that the Company and the Subsidiary Company have sufficient resources to continue in operation for the foreseeable future.
D. 1. 6 Remedial action at EGM if net assets fall below 50% of value of shareholders' funds.	Yes	In the unlikely event that the net assets of the Company fall below a half of shareholders' funds, shareholders would be notified and an Extraordinary Resolution passed on the proposed way forward.
D. 1. 7 Disclosure of Related Party Transactions.	Yes	Refer to page 190 in Notes to the Financial Statements.
D.2 Internal Control		
D. 2. 1 Annual review of effectiveness of system of Internal Control and report to shareholders as required.	Yes	The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and internal control systems remain effective via the review and monitoring of such systems on a periodic basis. What follows is a brief description of some of the key systems.
D. 2. 2 Internal Audit Function.	Yes	The Internal Audit function in the Company and the Subsidiary Company is not being outsourced to the External Auditor of the Company and the Subsidiary in a further attempt to ensure External Auditor independence. The Auditors' report on the Financial Statements of the Company for the year under review is found in the Financial Information section of the Annual Report. The role of the Internal Auditor of the Company and the Subsidiary, has been transformed into a value adding function instead of merely a 'policing' function, where audit findings form an integral input in modifying and improving our internal processes. The Internal Audit function of the Company and Subsidiary has been outsourced to Chartered Accountants PricewaterhouseCoopers (PWC) and Binder, Dijker and Otte (BDO) Partners respectively.

CSE Rule	Compliance Status	Action
D. 2. 3 / D. 2. 4 Maintaining a sound system of internal control.	Yes	Risk Review Reports arising out of internal audits are, in the first instance, considered and discussed at the business / functional unit levels and after review by the respective President/CEO of the Company and the Subsidiary are forwarded to the Audit Committee on a regular basis. Further, the Audit Committees also assess the effectiveness of the risk review process and systems of internal control on a regular basis. Follow-ups on Internal Audits are done on a structured basis.
D. 3 Audit Committee		
D.3.1 The Audit Committee should be comprise a minimum of two Independent Non-Executive Directors or exclusively Non-Executive Directors, a majority of whom should be Independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board.	Yes	The Audit Committee comprises of three (3) Independent Non-Executive Directors.
D.3.2 Terms of reference, duties and responsibilities.	Yes	The Audit Committee has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies. The Committee is also responsible for maintaining the relationship with the external auditors and for assessing the role and the effectiveness of the Group Business Process Review Division.
D.3.3 The Audit Committee to have written Terms of Reference covering the salient aspects as stipulated in the section.	Yes	The Audit Committee has written Terms of Reference outlining the scope.
D.3.4 Disclosure of Audit Committee membership.	Yes	Refer Audit Committee Report.
D. 4 Code of Business Conduct and Ethics		
D.4.1 Availability of a Code of Business Conduct and Ethics and an affirmative declaration that the Board of Directors abides by such Code.	Yes	The written Code of Conduct, to which all the employees including the Board of Directors are bound by, engraves the desired behaviours of the staff at executive and above level, particularly the senior management. This is being constantly and rigorously monitored.
D.4.2 The Chairman must certify that he/ she is not aware of any violation of any of the provisions of this Code.	Yes	The Chairman of the Board affirms that there has not been any material violations of any of the provisions of the Code of Conduct. In the instances where violations did take place, or were alleged to have taken place, they were investigated and handled through the Company's well established procedures which, among others, include direct and confidential access to an independent, external ombudsperson as discussed above.
D.5 Corporate Governance disclosures		
D.5.1 The Directors should include in the Company's Annual Report a Corporate Governance Report.	Yes	A Corporate Governance Section is included in the Annual Report.

Corporate Governance

CSE Rule	Compliance Status	Action
E. Institutional investors		
E. 1 Shareholder voting.		
E.1.1 Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives.	Yes	The AGM is used as a forum to have a structured, objective dialogue with shareholders. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.
E. 2 Evaluation of Governance Disclosures.		
E.2. When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Yes	The Corporate Governance Report in the Annual Report sets out the Company's governance arrangements.

F. Other Investors

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

G. Sustainability Reporting

G Sustainability Reporting		
G.1 – G.1.7 Disclosure on adherence to sustainability principles.	Yes	Refer the Business Review section of the Annual Report.

6. FUTURE OUTLOOK

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

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

Our key areas of focus will be:

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

GRI-G4
G4-14

Enterprise Risk Management

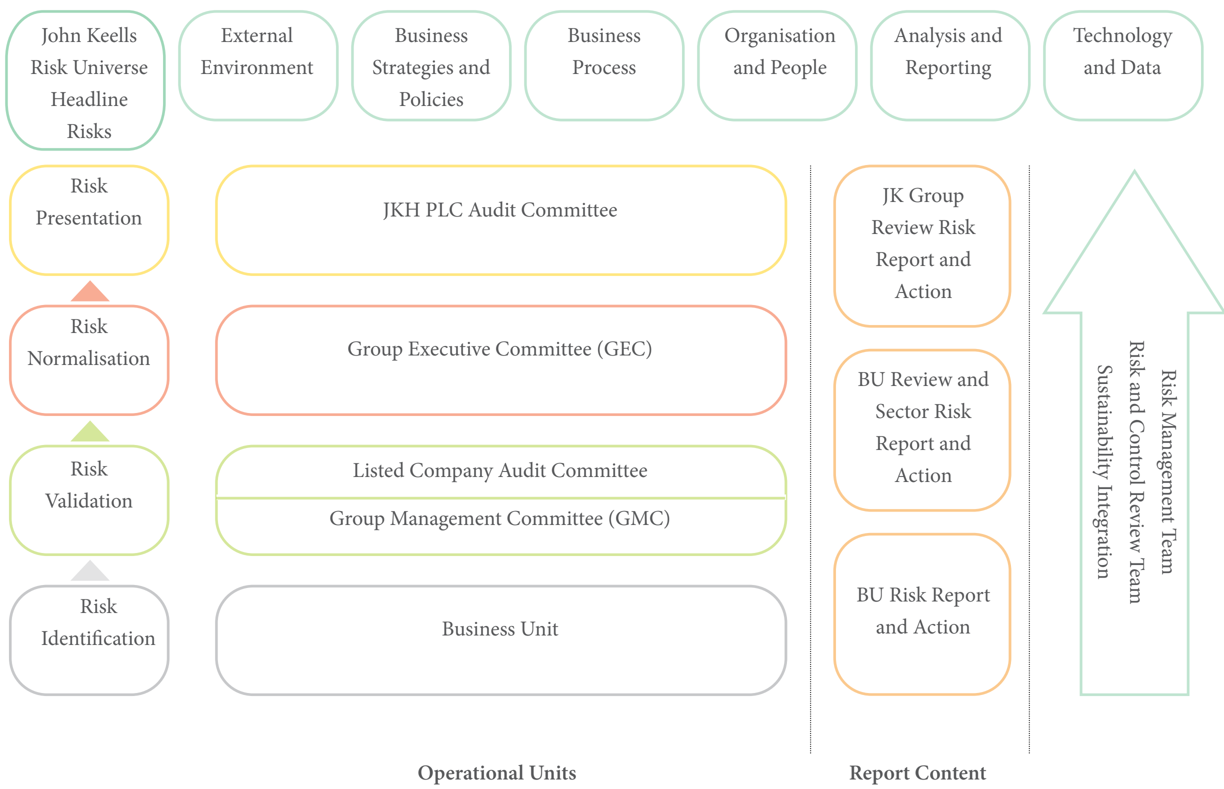
Ceylon Cold Stores PLC (CCS) being a part of the John Keells Group believes that Enterprise Risk Management (ERM) is intrinsically interwoven with Sustainability and CSR. Risk Management at CCS therefore considers more than the specific operational and financial risks faced by the organisation by including potential risks related to the environment, community, value chain and employees. CCS is exposed to various forms of industrial, operational, environmental and financial risks arising from the environment within which it operates in and its own operations and transactions. The objective of the Risk Management Strategy of the Company is to identify, manage and mitigate risk, adapt to changing environment and harness opportunities which will ensure that the Company adopts long-term and short-term strategies which are aligned with the overall triple bottom-line objectives of the business and the John Keells Group.

At the Group level, the risk management process, lies with the Enterprise Risk Management Division of the John Keells Group which acts as a process coordinator, facilitating the effective and timely identification, mitigation and monitoring of risk as an integral component of the Group's Corporate Governance System. The Division is also responsible for the dissemination of best practices, continuous improvement and updating of the Risk Management framework, working closely with the Sustainability, CSR and Internal Audit functions of the Group.

The annual Risk Management cycle at CCS begins with a detailed discussion and identification of risks, impacts and preventive, detective and corrective mitigation plans in conjunction with the JKH ERM Division, which constitute the 'bottom-up' approach.

The Risk Management process and information flow adopted by the John Keells Group is depicted below.

Table 1- JKH Group Risk Management Process



At CCS we believe risk management to be an integral part of strategic decision making. Risks are identified and assessed through a Risk Control Self-Assessment (RCSA) document unique to the Company's business. CCS risks are validated by the Group Management Committee (GMC) of the Company and risks are profiled, analysed and reported to the CCS Audit Committee on a biannual basis. In the RCSA document, the Company rates its level of risk for each identified risk event using an evaluation of the expected severity of impact and the likelihood of its occurrence. Further, the velocity of impact of a risk event, or the speed at which the risk event will impact the organisation is also assessed, which has served to priorities risks and their relevant mitigation plans.

The Company being the ultimate owner of its risks is responsible for reviewing the RCSA document on a quarterly basis. This reviewed RCSA document is then considered by the JKH ERM division in consolidating risks for the John Keells Group.

The bottom up approach of the ERM framework adopted and implemented by the Company involves the following:

i. Identification of Types of Risk

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

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

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

Using Group guidelines a risk grid is established for the Company. Every risk is analysed in terms of Likelihood of Occurrence and Severity of Impact assigning a number ranging from 1 (low probability/ impact) to 5 (high probability/impact) to signify the probability of occurrence and the level of impact to the organisation. **Please see Table 2 for further details.**

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

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

Table 2 Guideline for Rating Risks

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

Occurrence/Likelihood

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

GRI-G4
G4-14

Enterprise Risk Management

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

It is the responsibility of the President/ CEO and the Risk Management team to ensure that each risk item is tracked over the course of the year (reviewed at least on a quarterly basis) and to ensure that the mitigation actions identified during the risk review process are being carried out adequately. This ensures that the Company has a 'living' document that is updated based on internal and external conditions. All risks are validated at the Company level by the Group Management Committee (GMC) and risks are profiled, analysed and reported to the Audit Committee of the Company on a bi-annual basis.

RISK UNIVERSE

The identified risks are broadly classified into the Risk Universe as identified by the John Keells Group. The Risk Universe for the Company is given in Table 3.

Table 3 Risk Universe of Ceylon Cold Stores PLC

External Environment	Business Strategies and Policies	Business Process	Organisation and People	Analysing and Reporting	Technology and Data
Political	Reputation and Brand Image	Internal Business Process	Leadership	Performance Measurement and Reporting	Technology Infrastructure, Architecture
Competitor	Capital and Finance	Operations – Planning, Production and Process	Skills/ Competency/ Motivation	Budgeting, Financial Planning	Data Relevance and Integrity
Catastrophic Loss	Strategy and Innovation	Operations – Technology and Design, Execution, Continuity	Change Readiness	Accounting, Tax Information	Data Processing Integrity
Customer Expectations	Business/Product Portfolio	Resource, Capacity and Allocation	Communication	External Reporting and Disclosures	Technology Reliability and Recovery
Macro Economic	Organisation Structure	Vendor/Partner Reliance	Performance Incentives	Pricing , Margins	IT Security
Foreign Exchange and Interest Rates	Stakeholders	Channel Effectiveness	Accountability	Market Intelligence	IT Processes
Weather and Climate	Investment and Mergers and Acquisitions	Inter-dependency	Fraud and Abuse	Contract Commitment	
	Environment, Health and Safety	Customer Satisfaction	Knowledge, Intellectual Capital	Insurable Risks	
		Legal, Regulatory Compliance and Privacy	Change Integration		
		Innovation	Labour Relations		
		Property and Equipment Damage	Attrition		
		Liability			

SUSTAINABLE RISK MANAGEMENT

Risk Management and Sustainability are firmly intertwined within the Company. Sustainable risk management is a form of overall Risk Management, considering not only operational and financial risks faced by the Company, but a process that also proactively manages the risks faced by the Company resulting from possible impacts on the environment, employees, supply chain and community due to its operations. Risks and issues identified herein were tracked on the RCSA document of the Company and Subsequently mapped to the relevant GRI (Global Reporting Initiative) Sustainability indicator for further Sustainability performance tracking and reporting.

RISK MANAGEMENT DURING THE REPORTING YEAR

The Enterprise Risk Management cycle begins during the second quarter of the year with the annual risk review of all Business Units of JKH Group. The John Keells Group's Enterprise Risk Management (ERM) Division assists the Heads of Business Units and the respective Heads of Departments to comprehensively assess, rate and set mitigation plans for any structural, operational, financial and strategic risks relevant to each Business Unit, based on past information and horizon scanning.

Any high level risks or Core Sustainability Risks were then reviewed by Group Management Committee headed by the President of the Industry Group as a means of validating the risk process at Business Unit level. The significant risk areas that impact the achievement of the strategic business objectives of the Company and the measures taken to address these risks are given below;

1. Product Liability

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

This risk has been rated as medium considering the impact to the Company and its likelihood of occurrence, as well as preventive, detective and corrective measures taken.

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Product Liability Risk	Business Process	Medium	Medium

2. Macro-Economic Environment

The macro economic factors have a direct impact on consumer spending which impacts the sales as well as the cost of manufacturing of the Company. The Company's cost of production is largely dependent upon the cost of sugar and milk sourced from local and overseas suppliers. The imported raw material prices are significantly impacted by the exchange rate as well as duties and taxes imposed by the Government.

We have addressed this risk by continuous review of macro-economic conditions and consumer behaviour through market surveys, development of alternative suppliers for raw materials to obtain competitive rates as well as lobbing against taxes and levies. This risk has been rated as medium by the Company.

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Macro-Economic Environment	External Environment	Medium	Medium

3. Price Volatility of Raw Materials

The Company's manufacturing costs are largely dependent upon the cost of raw materials sourced. Over the last few years there has been significant price volatility in the world market as well as locally in respect of certain key ingredients. The Company has mitigated some of these risks associated with price volatility by entering into long term contractual agreements for the key ingredients with suppliers as well as substituting where possible with local materials without compromising quality.

Further, the Company has built a strong relationship with farmer communities and other local suppliers through CSR initiatives to ensure continuous supply at stable price levels and as such this risk has been rated by the Company as 'Low'.

GRI-G4
G4-14

Enterprise Risk Management

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Price Volatility of Raw Materials	Business Process	Low	Low

4. Supplier Stability, Compliance and Assessment

The Company depends on few suppliers for some of the key raw materials due to the cost advantage and ease of supply. Any adverse impact on the sustainability of these suppliers would create a disturbance to continuous supply of raw material and stoppages to the manufacturing process. As such, the Company has evaluated alternate suppliers and is in the process of diluting the dependency on key suppliers whilst managing the cost impact optimally. In most instances the Company has entered into contractual agreements with suppliers securing volumes throughout the year.

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

During the year, a supplier impact assessment was carried out to determine whether the key suppliers of the Company had sustainable and effective controls with regards to its environmental and labour practices. Questionnaires on details of the above areas were given to the suppliers during site visits and feedback was received in the affirmative. The main suppliers of the Company are assessed biannually.

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Supplier Stability, Compliance and Assessment	Business Strategies and Policies	Low	Low

5. Stability of Distribution Channels

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

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

Regular monitoring of distributor profit and loss accounts, payment of incentives to efficient distributors, guidance and ongoing dialogue with the distributors have enabled the Company to manage such risks effectively.

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Stability of Distribution Channels	Business Strategies and Policies	Low	Low

6. Human Resource (HR), Labour Relations and Health and Safety

A deterioration of Labour Relations could result in a significant increase in labour costs, disruption to operations and production down time, as well as impact to the image of the Company. With a view to address the above concerns, the Company maintains a dialogue, on a proactive basis with unionised employees to ensure cordial industrial relations.

Deficiencies in skills and knowledge among the existing staff cadre is identified as an area for improvement and the Company has deployed specialised training programs which are targeted to improve specialised skills and knowledge. The Company also conducts employee satisfaction surveys on an annual basis.

Limited availability of specialised staff in the market is a matter of concern, and the Company believes in succession planning to overcome this risk and has in place various personal development programmes to develop skills and capabilities of internal staff to take over higher responsibilities and challenges.

Ensuring a safe working environment for its employees, consumers, suppliers and customers remains a top priority for the Company as it believes this improves motivation, productivity and reduce accidents at the work place. The Company has obtained OHSAS certification, streamlining its organisational processes with continuous monitoring and process improvements.

Given the mitigation strategies in place, this risk has been rated by the Company as a Medium' risk

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Human Resource, Labour Relations and Health and Safety	Organisation and People	Medium	Medium

7. Fraud and Corruption

The Company promotes an organisational culture that is committed to the highest level of honesty and ethical dealings and will not tolerate any act of fraud or corruption. The Anti-Corruption Policy is designed to put these principles into practice. It is Company policy to protect itself and its resources from fraud and other similar malpractices, either by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees.

Apart from the legal consequences of fraud and corruption, improper acts have the potential to damage the Company's image, reputation and financial position. Unresolved allegations can also undermine an otherwise credible position and reflect negatively on innocent individuals.
All staff are expected to behave in a manner that they are governed by the anti-corruption policy of the JKH Group and not to be involved in such activities. Through transparent and accountable decision-making together with open discussion by staff and managers about the risks of fraud and corruption the Company seeks to foster an organisational culture which does not tolerate fraud or corruption and has rated this risk as 'Insignificant'.

GRI-G4
G4-14

Enterprise Risk Management

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Fraud and Corruption	Organisation and People	Insignificant	Insignificant

8. Vulnerabilities from IT Related Risks

The Company relies on Information Technology to obtain a competitive advantage, whilst recognising the need for stringent internal controls and IT governance policies. The JKH Group's IT governance structures and policies are supported with disaster recovery readiness in all business systems.

Dedicated professionals and use of appropriate software ensure continuity of business operations and safeguards from IT related risks including the setting up of early warning mechanism to mitigate possible infrastructure failures.

This risk has been rated as 'Low' by the Company.

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Vulnerabilities from IT Related Risks	Technology and Data	Low	Low

9. Exposure to Credit Risk

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

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Exposure to Credit Risk	Business Strategies and Policies	Insignificant	Insignificant

10. Breakdown of Internal Controls

Segregation of duties, definition of authority limits, operating manuals, detective and preventive controls and internal and external audit procedures which are independent of each other, enable the management to ensure that the operations are being carried out as per laid down procedures of the Company. Wastage, inefficiencies, opportunities for misappropriations or fraud are minimised through such practices. This risk has been rated by the Company as 'Low'

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Reliance on Effective Internal Controls	Organisation and People	Low	Low

11. Meeting Quality Expectations

The food manufacturing industry is subject to general risks of food spoilage or contamination and consumer preferences with respect to nutrition and health related concerns and regulations. Such risks could lead to impacts on Company reputation, loss of market share, possible litigations and claims from the consumers and the government.

The Company's quality assurance system administered by qualified specialists using international benchmarks considers all continuous product and process, necessary to maintain the Company's competitive edge and avoid any regulatory, health and nutrition related concerns. Towards addressing nutritional concerns the Company has a food nutritionist validating all nutritional standards. With respect to Governmental regulations, the Company ensures only ingredients that satisfy international standards are used in its product formulation. The Company also ensures compliance with the quality certifications of HACCP manufacturing practices, ISO 22000/ISO 9001 certification and continuous process improvement with the conduct of regular internal and external audits as applicable to the industries and product lines we operate in. The Company also has detailed product traceability and product recalls processes if such a need should arise.

Given the stringent controls and processes, this risk has been rated by the Company as low

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Meeting Quality Expectations	Business Process	Low	Low

12. Liquidity

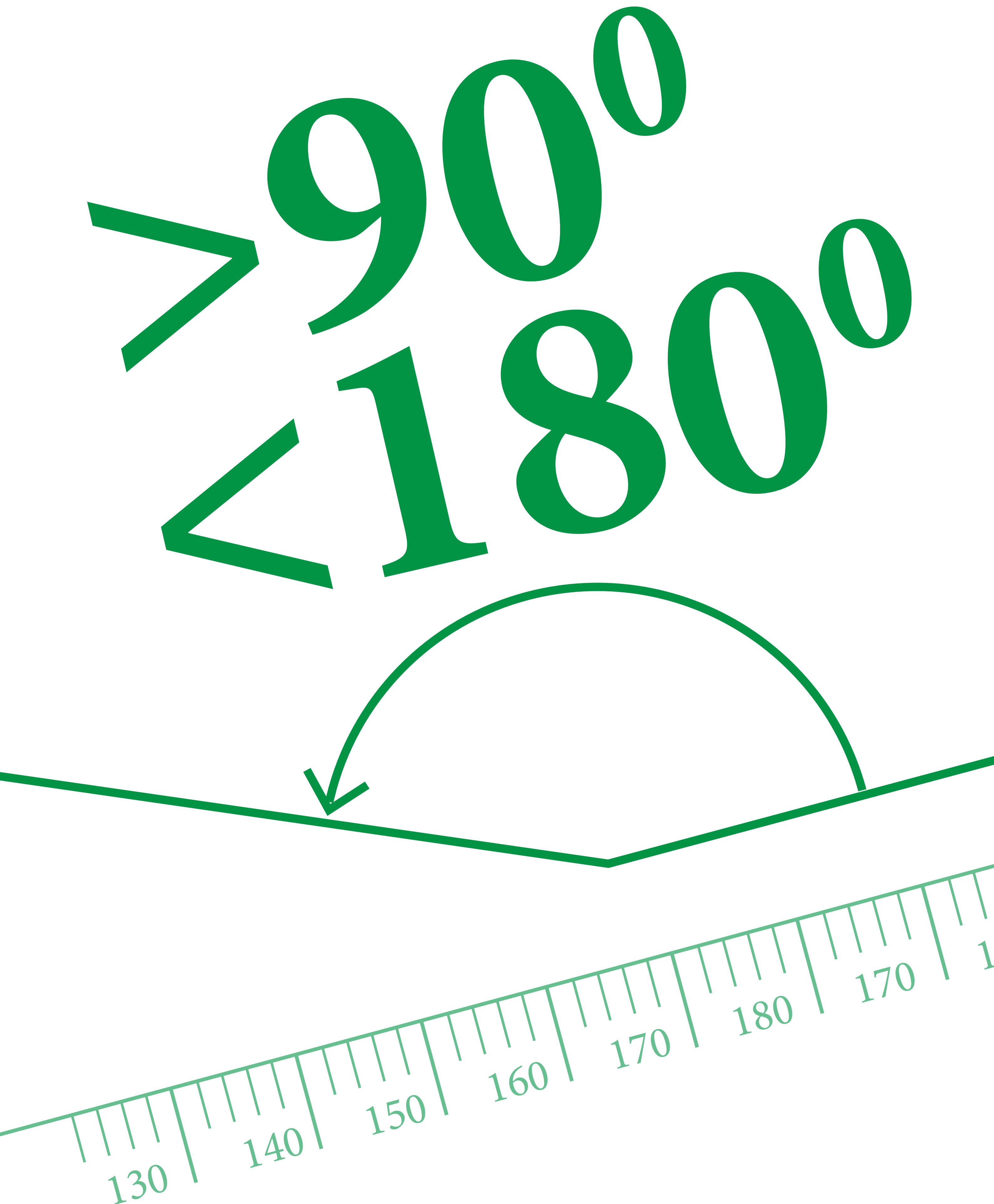
Exposure to liquidity risk arises in the general funding of the Company's business activities and includes the risk of being unable to fund the business activities in a timely manner and increased cost of short-term funding. The Company manages its liquidity risk by managing sufficient cash and available funding through unutilised credit facilities from various Banks and has rated this risk as a low

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Liquidity	Business Strategies and Policies	Low	Low

13. Changes in Interest Rates and Exchange Rates

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

Risk Item	Headline Risk	2014/15 Risk Rating	2013/14 Risk Rating
Changes in Interest Rates and Exchange Rates	External Environment	Low	Low


>90°
<180°
130
140
150
160
170
180
170

Financial Calendar

Year Ended	31st March 2015
1st Quarter released on	21st July 2014
2nd Quarter released on	23rd October 2014
3rd Quarter released on	29th January 2015
4th Quarter released on	26th May 2015
Annual Reports posted on	26th May 2015
118th Annual General Meeting on	18th June 2015

Financial Information

Obtuse Angle - an angle that is greater than 90° but less than 180°

A passion for sustainable value and intelligent expansion

160 150 140

Annual Report of the Board of Directors

The Board of Directors of Ceylon Cold Stores PLC has pleasure in presenting their Annual Report together with the Audited Financial Statements of Ceylon Cold Stores PLC and the Audited Consolidated Financial Statements of the Group for the year ended 31st March 2015.

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

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

Corporate Conduct and the Vision of the Company

The Business activities of the Company and its Subsidiary are conducted with the highest level of ethical standards in achieving the vision. The Company's vision is given on page 2 of the Annual Report.

Principal Activities

Company

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

Subsidiary

The principal activity of Jaykay Marketing (Pvt) Ltd, a 100% owned Subsidiary remained unchanged as that of owning and operating of a chain of supermarkets under the name of "Keells Super". The Company acquired 100% of the ordinary shares of Nexus Networks (Pvt) Ltd. on 25th August 2014. Consequently, the operations of Nexus Networks (Pvt) Ltd. which is the operation and management of the Nexus Loyalty Programme was merged with Jaykay Marketing Services (Pvt) Ltd. on the 19th of February 2015.

Associate

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

Ultimate Parent

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

Review of Operations

A review of the operations of the Company and the Subsidiary during the financial year 2014/15 and results of their operations are contained in the Chairman's Statement (pages 14 to 17) and Business Review (pages 25 to 79). These reports form an integral part of the Annual Report of the Board of Directors and together with the Audited Financial Statements reflect the state of the affairs of the Company and it's Subsidiary as at 31 March 2015.

Future Developments

An overview of the future developments is given in the Chairman's Statement (pages 14 to 17) and Business Review (pages 25 to 79).

Financial Statements and Auditor's Report

The Financial Statements of the Group and the Company duly signed by the Directors are provided on pages 142 to 194 and the Auditor's Report on the Financial Statements is provided on page 141 of this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors and together with the Audited Financial Statements provide a fair review of the performance of the Company and the Group during the financial year ended 31st March 2015.

Going Concern

After considering the financial position, operating conditions, regulatory and other factors the Directors have a reasonable expectation that the Company and the Subsidiary possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Accounting Policies

The Accounting Policies based on the Accounting Standards (SLFRSs/ LKASs) issued by the Institute of Chartered Accountants of Sri Lanka are provided in detail in the notes to the Financial Statements on pages 148 to 163.

Revenue

The Net Revenue generated during the year under review by the Company amounted to Rs. 9,768 million (2013/2014 Rs. 8,860 million), whilst the Consolidated Net Revenue of the Group amounted to Rs. 27,699 million (2013/2014 Rs. 23,614 million). An analysis of revenue is given in note 2 to the Financial Statements.

Financial Results

The Company recorded a Profit After Tax of Rs. 1,176 million for the year (year ended 31 March 2014 - Rs. 1,254 million) whilst the Consolidated Profit after Tax was Rs. 1,525 million (year ended 31 March 2014 Rs. 1,218 million). A synopsis of the Group's performance is presented below.

For the year ended 31 March In Rs. '000s	2015	2014
Results from operating activates	2,160,444	1,541,245
Finance cost	(60,519)	(119,745)
Finance income	55,676	33,561
	2,155,601	1,455,061
Change in fair value of investment property	8,975	71,796
Share of results of equity accounted investees	(17,911)	18,331
Profit before tax	2,146,665	1,545,188
Provision for taxation including deferred tax	(621,170)	(327,471)
Profit after tax	1,525,495	1,217,717
Unappropriated profit brought forward from the previous year	7,662,239	4,358,961
Amount available for appropriation	9,187,734	5,576,678
First and Final Dividend paid 2013/2014	(570,254)	(380,174)
Interim dividend paid 2014/2015	(475,200)	-
Transfer from capital reserves/ other adjustments	-	2,465,735
Unappropriated profit carried forward	8,142,280	7,662,239
Adjustments	(24,539)	(21,922)
	8,117,741	7,640,317

The Final dividend recommended for this financial year 2014/15 has not been recognised as at the reporting date in compliance with LKAS 10 - Events after the reporting period.

Provision for Taxation

Provision for taxation has been computed at the rates given in note 8 to the Financial Statements.

Segment Reporting

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

Related Party Transactions

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

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

Corporate Donations

During the year the Group made donations amounting to Rs. 5.7 million (2013/14 – Rs. 7.7 million). The Group made no political donations.

Dividends

A First and Final Dividend of Rs. 6/- per share for the financial year 2013/2014 (2012/2013 Rs. 4/-) was paid on the 17th of June 2014.

An Interim Dividend of Rs. 5/- per share for the financial year 2014/2015 (2013/2014 Nil) was paid on the 10th of December 2014.

The Board of Directors has now approved a final dividend of Rs.6/- per share for 2014/2015 to be paid on the 29th of May 2015 to those shareholders on the register as of the 19th May 2015. In accordance with Sri Lanka Accounting and Reporting Standard 10, Events After the Reporting Period, the declared dividend has not been recognised as a liability as at 31st March 2015.

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

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

Annual Report of the Board of Directors

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

Property, Plant and Equipment

The value of Property Plant and Equipment as at the reporting date amounted to Rs. 5,365 million (2013/2014 Rs. 5,447 million) for the Group. The details of Property, Plant and Equipment of the Company and the Subsidiary are shown in note 13 (pages 177 to 179) to the Financial Statements.

Capital Expenditure

The total capital expenditure on acquisition of property, plant and equipment and intangible assets of the Company and the Group amounted to Rs. 183 million and Rs. 649 million respectively (2013/14 Company Rs. 523 million and Group Rs. 1,016 million) details of which are given in notes 13 and 14 to the Financial Statements. Capital expenditure approved and contracted but not provided for in the Financial Statements, is given in note 38 to the Financial Statements.

Market Value of Freehold Properties

The Land and Buildings (except Freehold Land in Trincomalee) owned by the Company were re-valued by Messrs. P .B. Kalugalagedara & Associates – Chartered Valuation Surveyors as at 31 March 2015. The Directors are of the opinion that the re-valued amounts are not in excess of the current market values of such properties.

The Investment Property in Trincomalee was revalued as at 31 March 2015 by Messrs. P .B. Kalugalagedara & Associates – Chartered Valuation Surveyors. The Land was valued at open market value. The details of the revaluation and relevant accounting policies are provided in notes 1.4.8 and 15 to the Financial Statements respectively.

Investments

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

Stated Capital and Revenue Reserves

In compliance with the Companies Act, No. 7 of 2007, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by the Company in respect of the issued Share Capital.

The total Stated Capital of the Company as at 31 March 2015 was Rs. 918.2 million (31 March 2014 – Rs. 918.2 million), as given in note 24 to the Financial Statements.

Revenue Reserves as at 31 March 2015 for the Company and the Group amounted to Rs. 8,886 million (31 March 2014 – Rs. 8,739 million) and Rs. 8,764 million (31 March 2014 – Rs. 8,286 million) respectively. The movement and the composition of the reserve is disclosed in the Statement of Changes in Equity.

Merger of Nexus Networks (Pvt) Ltd. with Jaykay Marketing Services (Pvt) Ltd.

On 25 August 2014, Jaykay Marketing Services (Pvt) Ltd. (JMSL) the fully owned Subsidiary of Ceylon Cold Stores PLC, acquired 10,000 fully paid ordinary shares of Nexus Networks (Pvt) Ltd. (NNL), which represented 100% of NNL's issued Share Capital, from the Ultimate Parent Company, namely John Keells Holdings PLC, for a purchase consideration of Rs. 48,000,000. NNL was amalgamated with JMSL, in accordance with provisions of the Companies Act, No. 07 of 2007 (the "Act") with effect from 19 February 2015. Accordingly, NNL ceased to exist and was removed from the Register by the Registrar General of Companies and all the assets, rights, liabilities and obligations of NNL were succeeded by JMSL in accordance with the Act.

Investment in Waterfront Properties (Pvt) Ltd.

On the 29th of January 2015, the Honourable Prime Minister of Sri Lanka announced in Parliament that the agreements entered into with Waterfront Properties (Pvt) Ltd. under the Strategic Development Projects Act will be amended to restrict the ability to rent space for gaming activities.

John Keells Holdings PLC, the Parent Company made an announcement to the Colombo Stock Exchange to the effect that whilst this proposed amendment is likely to constrain the ability of the Project to command premium rentals on this component of the Project, the Board of Directors had decided to continue with the Project after considering all known factors and the potential impacts of varying alternatives. Meanwhile, the loan agreement for the USD 445 million syndicated project development facility with Standard Chartered Bank which was obtained in December 2014 and the related financial models are being amended to reflect the current status and scope of the Project. The Project Company has in place a bridge funding facility from Standard Chartered Bank for USD 100 million which will meet the initial funding requirements of the Project and this will be refinanced with the syndicated project development facility once the amendments are completed.

Events after Reporting Period

Events occurring after the reporting period is given in note 41 to the Financial Statements.

Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at 31 March 2015 except as disclosed in note 37 and 38 to the Financial Statements.

Outstanding Litigation

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

Human Resources

The Group employed 3,126 persons at 31st March 2015 (31 March 2014 2,964).

The Group is committed to pursuing various HR initiatives that ensure the individual development of the team as well as facilitating the creation of value for themselves, the Group and all other stakeholders.

There were no material issues pertaining to employees and industrial relations during the year under review.

System of Internal Controls

The Directors acknowledge their responsibility for the system of Internal Controls of the Company and the Subsidiary and having conducted a review of internal controls covering financial, operational, compliance controls and risk management, have obtained reasonable assurance of their effectiveness and successful adherence for the period up to the date of signing the Financial Statements.

Corporate Governance

Enterprise Governance practices and principles with respect to the management and operations of the Group is set out on pages 82 to 119 of the Annual Report. The Directors confirm that the Group is in compliance with the Rules on Corporate Governance as per the listing rules of Colombo Stock Exchange.

The Directors declare that:

- The Company and its Subsidiary have not engaged in any activities, which contravene laws and regulations.
- The Directors have declared all material interests in contracts involving the Company and its Subsidiary and refrained from voting on matters in which they were materially involved.
- The Company has made all endeavours' to ensure the equitable treatment of all shareholders.
- A review of internal controls covering financial, operational and compliance controls and risk management has been conducted, and the Directors have obtained a reasonable assurance of their effectiveness and successful adherence.
- The Board of Directors are committed to maintaining an effective Corporate Governance structure and process. A fuller report on Corporate Governance is found on pages 82 to 119.

Risk Management

The Board and the Executive Management of the Company and the Subsidiary have put in place a comprehensive risk identification, measurement and mitigation process. The Risk Management process is an integral part of the annual strategic planning cycle. A detailed overview of the process is outlined in the Risk Management Report on pages 120 to 133.

BOARD COMMITTEES

Audit Committee

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

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

The report of the Audit Committee is given on pages 137 to 139 of the Annual Report. The Audit Committee has reviewed the other services provided by the External Auditor to the Group to ensure that their independence as Auditor has not been compromised.

Human Resources and Compensation Committee

As permitted by the Listing Rules of the Colombo Stock Exchange, the Human Resources and Compensation Committee of John Keells Holdings PLC, the Parent Company of Ceylon Cold Stores PLC, functions as the Human Resources and Compensation Committee of the Company. The Human Resources and Compensation Committee of John Keells Holdings PLC comprises of four Independent Non-Executive Directors:

1. Mr. Franklyn Amerasinghe - Chairman
2. Mr. I Coomaraswamy
3. Mr. M A Omar
4. Mr. N A Fonseka
5. Mr. D A Cabraal (appointed w.e.f. 29th January 2015)
6. Mr. A R Gunesekara (resigned w.e.f 30th June 2014)

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

Nominations Committee

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

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

1. Mr. T Das - Chairman
2. Mr. S C Ratnayake
3. Mr. M A Omar
4. Mr. E F G Amerasinghe
5. Mr. D A Cabraal
6. Ms. M P Perera (appointed w.e.f 24th July 2014)

Annual Report of the Board of Directors

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

Related Party Transaction Review Committee

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

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

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

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

Share Information

An Ordinary Share of the Company was quoted on the Colombo Stock Exchange at Rs. 298.20 as at 31st March 2015 (31st March 2014 – Rs. 140.70). Information relating to earnings, dividends, net assets and market value per share is given in the (Decade at a Glance) on page 197. Information on share trading is given on page 196 of this report.

Shareholdings

There were 1,902 registered shareholders, holding ordinary voting shares as at 31st March 2015 (2,074 registered shareholders as at 31st March 2014). The distribution of shareholdings including the percentage held by the public is given on page 195 of this report.

Equitable Treatment to all Shareholders

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

Substantial Shareholdings

The list of top twenty shareholders is given on page 196 of this report.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the Colombo Stock Exchange in a timely manner.

Directorate

The Board of Directors of Ceylon Cold Stores PLC who served during the year and as at the end of the Financial Year are given below and their brief profiles appear on pages 18 to 19 of the Annual Report. Mr. M Hamza was appointed to the Board on the 15th of May 2015.

Mr. S C Ratnayake (Chairman)
(Non -Executive, Non Independent)

Mr. A D Gunewardene
(Non - Executive, Non Independent)

Mr. J R F Peiris
(Non - Executive, Non independent)

Mr. J R Gunaratne
(Executive - Non Independent)

Prof. U P Liyanage
(Non - Executive, Independent)

Mr. P S Jayawardena PC
(Non - Executive, Independent)

Mr. A R Rasiah
(Non - Executive, Independent)

Mr. M Hamsza
(Non - Executive, Independent)
Appointed on 15th of May 2015

The Board of Directors of Jaykay Marketing Services (Pvt) Ltd who served during the year and as at the end of the Financial Year are given below. No other Director held office during the period under review.

Mr. S C Ratnayake (Chairman)
(Non - Executive, Non Independent)

Mr. A D Gunewardene
(Non - Executive, Non Independent)

Mr. K N J Balendra
(Executive, Non Independent)

Ms. M R N Jayasundera-Moraes
(Non - Executive, Non Independent)

Responsibility of the Board

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

Retirement of Directors by Rotation or otherwise and their Re-election

In terms of Article 84 of the Articles of Association of the Company, Prof. U Liyanage and Mr. A R Rasiah retire by rotation, and being eligible offer themselves for re-election.

In terms of Article 91 of Articles of Association of Company, Mr. M Hamza who was appointed on the 15th of May 2015 retires and being eligible offers himself for re-election

Directors' Interests in Shares

The share ownership of Directors is stated below. There is no change in the number of shares owned by any Director after the requirement relating to entries in the Interests Register came into force.

The Directors' individual shareholdings in the Company as at 31st March 2015 and 31st March 2014 were as follows.

Name of the Director	As at 31 March 2015	As at 31 March 2014
Mr. S C Ratnayake (Chairman)	3,344	3,344
Mr. A D Gunewardene	30,800	30,800
Mr. J R F Peiris	668	668
Mr. J R Gunaratne (CEO)	5,080	5,080
Prof. U P Liyanage	1,200	1,200
Mr. P S Jayawardena, PC	81,200	81,200
Mr. A R Rasiah	12,760	12,760
Mr. M Hamza (appointed on 15th of May 2015)	-	-

Remuneration to Directors

Executive Directors' remuneration is established within a framework approved by the Remuneration Committee. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The remuneration of the Non-Executive Directors are determined according to scales of payment decided upon by the Board previously. Details of Directors' fees and emoluments paid during the year is disclosed in the note 7 to Financial Statements.

Directors' Meetings

Details of Directors' meetings are presented on page 88 of the Annual Report.

Interests Register

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

Particulars of Entries in the Interests Register for the Financial Year 2014/15

a) Interests in Contracts – The Directors have all made a General Disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act, No. 7 of 2007 and no additional interests have been disclosed by any Director.

b) Share Dealings: There have been no disclosures of share dealings as at 31st March 2015.

c) Indemnities and Remuneration

The Board approved payments to the Executive Director of the Company, namely Mr. J R Gunaratne for the period 01st April 2014 to 31st March 2015, comprising of

- An increment from 1 July 2014 based on the individual performance rating obtained by the Executive Director in terms of the Performance Management System of the John Keells Group.

- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2013-14, paid in July 2014; and

- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC dependent on the aforesaid performance rating, organisational rating and role responsibility granted in July 2014.

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

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and it's Subsidiary to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards. The Companies Act, No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Compliance with Laws and Regulations

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

Supplier Policy

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

Statutory Payments

The Directors confirm to the best of their knowledge all taxes, duties and levies payable by the Group and all contributions, levies and taxes payable on behalf of and in

Annual Report of the Board of Directors

respect of the employees of the Group and all other known statutory dues as were due and payable by Group as at the end of the reporting period have been paid or where relevant provided for.

Environment Protection

The Group is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our resources.

Auditors

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

The Auditors Report is found on page 141 of the Annual Report.

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

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

Approval of the Financial Statements

The Audited Financial Statements were approved by the Board of Directors on 26th May 2015.

Notice of Meeting

The Notice of Meeting relating to the 118th Annual General Meeting is given on page 200 of the Annual Report.

J. R. Gunaratne
Director

J. R. F. Peiris
Director

Keells Consultants (Pvt) Ltd
Secretaries

26th May 2015

Audit Committee Report

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

The Committee is tasked with assisting the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders in relation to the integrity of the Financial Statements of the Group, that a good financial reporting system is in place and is well managed in order to give accurate, appropriate and timely information, that it is in accordance with the Company's Act, No. 7 of 2007 and other legislative reporting requirements and that adequate disclosures are made in the Financial Statements in accordance with the Sri Lanka Accounting Standards.

The Audit Committee ensures that the internal controls and the risk management process are effective and adequate enough to meet the requirements of the Sri Lanka Auditing Standards and that the Group is in compliance with legal, regulatory and ethical requirements.

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

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

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

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

Composition of the Audit Committee

The Audit Committee is a sub-Committee of the Board of Directors appointed by and responsible to the Board of Directors. The Audit Committee consists of three Independent, Non Executive Directors in conformity with the Listing Rules of the Colombo Stock Exchange, who are,

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

The Audit Committee comprises of individuals with extensive experience and expertise in the fields of Finance, Corporate Management, Legal and Marketing. The Chairman of the Audit Committee is a Chartered Accountant. A brief profile of each member of the Audit Committee is given on pages 18 to 19 of this report under the section Board of Directors.

Meetings of Audit Committee

The Audit Committee meets as often as may be deemed necessary or appropriate in its judgement, and at least quarterly each year. During the year under review there were four (4) meetings and attendance of the Committee members are given below. The Executive Director / CEO, the Chief Financial Officer, the Sector Financial Controller and the Heads of Categories attended such meetings by invitation and briefed the Committee on specific issues. The External Auditor and the Internal Auditors were also invited to attend meetings when necessary. The proceedings of the Audit Committee were reported to the Board of Directors by the Chairman of the Audit Committee.

Attendance at Audit Committee Meetings

Name	19th May 2014	18th July 2014	17th October 2014	16th January 2015
Mr. A R Rasiah	Y	Y	Y	Y
Prof. U Liyanage	N	Y	Y	N
Mr. P S Jayawardena PC	Y	N	Y	Y

Audit Committee Report

Summary of Activities during the Financial Year

Oversight of Company and Consolidated Financial Statements

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

The Committee also reviewed the accounting policies of the Company and the Group and such other matters as are required to be discussed with the Independent External Auditor in compliance with Sri Lanka Auditing Standard 260 – Communication of Audit Matters with those charged with Governance. The quarterly Financial Statements and the Financial Statements for the Year ended 31st March 2015 of the Company and the Group were also reviewed by the Committee and recommended their adoption to the Board.

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

Internal Audit

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

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

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

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

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

Risk and Control Review

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

External Audit

The External Auditor of the Company and of the Subsidiary, Messrs. Ernst & Young, Chartered Accountants, submitted a detailed audit plan for the financial year 2014/15, which specified, inter alia, the areas of operations to be covered in respect of the Company and the Subsidiary. The audit plan specified 'areas of special emphasis' which had been identified from the last audit and from a review of current operations. The Audit Committee had meetings with the External Auditor to review the scope, timelines of the audit plan and approach for the audits.

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

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

The Audit Committee has received a declaration from Messrs. Ernst & Young, as required by the Companies Act, No. 7 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, be recommended for reappointment as Auditor for the year ending 31st March 2016, at the next Annual General Meeting.

Compliance with Financial Reporting and Statutory Requirements

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

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

Support to the Committee

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

Evaluation of Committee

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

Conclusion

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

Rasakantha Rasiah
Chairman, Audit Committee

26th May 2015

Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditor, in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act, No. 7 of 2007, is set out in the Independent Auditors Report on page 141 of the Annual Report.

As per the provisions of the Companies Act, No. 7 of 2007 the Directors are required to prepare, for each financial year and place before a General Meeting, Financial Statements which comprise of;

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

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

- Using appropriate accounting policies, which have been selected and applied in a consistent manner, and material departures, if any have been disclosed and explained; and
- All applicable Accounting Standards as relevant have been applied; and
- Reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and.
- Provides the information required by and otherwise comply with the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

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

Further, the Directors have a responsibility to ensure that the Company and its Subsidiary maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group, and in this regard to give a proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

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

Further, as required by section 56(2) of the Companies Act, No.7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act, No.7 of 2007, and has obtained a certificate from the Auditors, prior to declaring final dividend of Rs. 6/- per share for this year to be paid on 29th May 2015

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiary, all contributions, levies and taxes payable on behalf of the employees of the Company and its Subsidiary, and all other known statutory dues as were due and payable by the Company and its Subsidiary as at the end of the reporting period have been paid or, where relevant provided for except as specified in note 37 to the Financial Statements covering contingent liabilities.

By Order of the Board

Keells Consultants (Private) Limited
Secretaries

26th May 2015

Independent Auditor's Report

Building a better working world

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

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF CEYLON COLD STORES PLC

Report on the Financial Statements

We have audited the financial statements of Ceylon Cold Stores PLC ("Company"), and the consolidated financial statements of the Company and its Subsidiary ("Group") which comprise the statement of financial position as at 31 March 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 142 to 194.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act, No. 07 of 2007, we state the following:

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

b) In our opinion:

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

- the financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

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

Ernst & Young

26th May 2015
Colombo

Income Statement

For the year ended 31st March In Rs.'000s	Note	Group 2015	Group 2014	Company 2015	Company 2014
Sale of goods		27,699,059	23,613,690	9,768,129	8,860,019
Revenue	2	27,699,059	23,613,690	9,768,129	8,860,019
Cost of sales		(24,028,703)	(20,796,940)	(6,495,652)	(6,198,615)
Gross profit		3,670,356	2,816,750	3,272,477	2,661,404
Other operating income	3	1,196,696	1,163,609	97,132	456,457
Selling and distribution expenses		(1,311,669)	(1,222,460)	(1,097,523)	(1,070,935)
Administrative expenses		(886,201)	(794,180)	(415,549)	(377,096)
Other operating expenses	4	(508,738)	(422,474)	(255,547)	(219,441)
Results from operating activities		2,160,444	1,541,245	1,600,990	1,450,389
Finance cost	5	(60,519)	(119,745)	(23,620)	(56,035)
Finance income	6	55,676	33,561	42,058	27,362
Net finance (cost)/income		(4,843)	(86,184)	18,438	(28,673)
Change in fair value of investment property	15	8,975	71,796	8,975	71,796
Share of results of equity accounted investees	17.3	(17,911)	18,331	-	-
Profit before tax	7	2,146,665	1,545,188	1,628,403	1,493,512
Tax expense	8	(621,170)	(327,471)	(452,005)	(239,381)
Profit for the year		1,525,495	1,217,717	1,176,398	1,254,131
Attributable to:					
Equity holders of the parent		1,525,495	1,217,717		
		Rs.	Rs.		
Earnings per share					
Basic	9	16.05	12.81		
Dividend per share	10	11.00	4.00		

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 148 to 194 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31st March In Rs.'000s	Note	Group 2015	Group 2014	Company 2015	Company 2014
Profit for the year		1,525,495	1,217,717	1,176,398	1,254,131
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Share of other comprehensive income of equity accounted investments	17.1	111,459	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) on employee benefit liabilities	30	19,486	(20,922)	22,510	(22,893)
Revaluation of land and buildings	13	4,133	-	-	-
Income tax on other comprehensive income	8.4	(6,540)	-	(6,229)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		17,079	(20,922)	16,281	(22,893)
Other comprehensive income/(loss) for the year, net of tax		128,538	(20,922)	16,281	(22,893)
Total comprehensive income for the year, net of tax		1,654,033	1,196,795	1,192,679	1,231,238
Attributable to:					
Equity holders of the parent		1,654,033	1,196,795		

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 148 to 194 form an integral part of these Financial Statements.

Statement of Financial Position

		Group		Company	
As at 31st March In Rs.'000s	Note	2015	2014	2015	2014
ASSETS					
Non-current assets					
Property, plant and equipment	13	5,365,259	5,446,846	3,520,467	3,801,361
Intangible assets	14	152,595	161,976	10,596	13,846
Investment property	15	94,457	85,482	94,457	85,482
Investment in subsidiary	16	-	-	1,222,892	1,222,892
Investment in associate	17	5,362,161	5,262,414	5,392,863	5,392,863
Deferred tax asset	29	-	37,140	-	-
Non-current financial assets	18	92,790	76,323	64,517	47,053
Other non-current assets	19	287,360	284,572	14,979	14,652
		11,354,622	11,354,753	10,320,771	10,578,149
Current assets					
Inventories	20	2,382,830	2,065,391	647,564	528,676
Trade and other receivables	21	1,481,088	1,348,016	1,253,607	1,082,438
Amounts due from related parties	36	7,073	3,928	34,594	49,054
Tax recoverable	34	41,382	110,674	-	-
Other current assets	22	253,509	151,099	113,039	62,887
Short term investments	23	730,256	181,245	730,256	181,245
Cash in hand and at bank		244,351	381,833	42,867	246,866
		5,140,489	4,242,186	2,821,927	2,151,166
Total assets		16,495,111	15,596,939	13,142,698	12,729,315
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	24	918,200	918,200	918,200	918,200
Revenue reserves	25	8,763,741	8,286,317	8,886,028	8,738,803
Other components of equity	26	974,395	795,699	814,418	775,365
Total equity		10,656,336	10,000,216	10,618,646	10,432,368
Non-current liabilities					
Borrowings	28	84,073	185,337	84,073	185,337
Deferred tax liabilities	29	565,756	439,033	514,002	439,033
Employee benefit liabilities	30	376,358	365,385	298,272	296,667
Other non-current liabilities	31	118,440	143,084	118,440	143,084
Other deferred liabilities	32	24,908	20,464	-	-
		1,169,535	1,153,303	1,014,787	1,064,121
Current liabilities					
Trade and other payables	33	3,120,502	2,566,964	645,002	637,572
Amounts due to related parties	36	126,411	115,794	8,099	13,014
Income tax liabilities	34	330,001	34,619	321,194	34,166
Current portion of borrowings	28	101,264	139,598	101,264	139,598
Other current liabilities	35	467,465	460,910	328,160	319,170
Bank overdrafts		523,597	1,125,535	105,546	89,306
		4,669,240	4,443,420	1,509,265	1,232,826
Total equity and liabilities		16,495,111	15,596,939	13,142,698	12,729,315

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

S. R. Jayaweera
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

J. R Gunaratne
Director

J. R. F Peiris
Director

The accounting policies and notes as set out on pages 148 to 194 form an integral part of these Financial Statements.

26th May 2015

Statement of Changes in Equity

For the year ended 31 March 2015

	Attributable to equity holders of the parent						
In Rs.'000s	Stated capital	ESOP reserve	Revaluation reserve	Foreign currency translation reserve	General reserve	Revenue reserves	Total equity
Group							
As at 1 April 2013	918,200	-	3,252,326	-	646,000	4,358,961	9,175,487
Profit for the year	-	-	-	-	-	1,217,717	1,217,717
Other comprehensive income	-	-	-	-	-	(20,922)	(20,922)
Total comprehensive income	-	-	-	-	-	1,196,795	1,196,795
Transfer	-	-	(2,464,129)	-	-	2,464,129	-
Impairment of assets	-	-	(31,395)	-	-	1,606	(29,789)
Direct cost on issue of shares by subsidiary	-	-	-	-	-	(1,000)	(1,000)
Share based payments	-	38,897	-	-	-	-	38,897
First and final dividend paid - 2012/13	-	-	-	-	-	(380,160)	(380,160)
Preference share dividend paid - 2012/13	-	-	-	-	-	(14)	(14)
As at 31 March 2014	918,200	38,897	756,802	-	646,000	7,640,317	10,000,216
Profit for the year	-	-	-	-	-	1,525,495	1,525,495
Other comprehensive income	-	-	2,976	111,459	-	14,103	128,538
Total comprehensive income	-	-	2,976	111,459	-	1,539,598	1,654,033
Impairment of assets	-	-	(1,357)	-	-	-	(1,357)
Share based payments	-	65,618	-	-	-	-	65,618
First and final dividend paid - 2013/14	-	-	-	-	-	(570,240)	(570,240)
Preference share dividend paid - 2013/14	-	-	-	-	-	(14)	(14)
Interim dividend paid 2014/15	-	-	-	-	-	(475,200)	(475,200)
Changes of holding in associate	-	-	-	-	-	(94)	(94)
Net consideration transferred on business combination	-	-	-	-	-	(16,626)	(16,626)
As at 31 March 2015	918,200	104,515	758,421	111,459	646,000	8,117,741	10,656,336
Company							
As at 1 April 2013	918,200	-	3,247,527		646,000	4,776,004	9,587,731
Profit for the year	-	-	-		-	1,254,131	1,254,131
Other comprehensive income	-	-	-		-	(22,893)	(22,893)
Total comprehensive income	-	-	-		-	1,231,238	1,231,238
Transfer	-	-	(2,464,129)		-	2,464,129	-
Impairment of assets	-	-	(31,395)		-	1,606	(29,789)
Share based payments	-	23,362	-		-	-	23,362
First and final dividend paid - 2012/13	-	-	-		-	(380,160)	(380,160)
Preference share dividend paid - 2012/13	-	-	-		-	(14)	(14)
As at 31 March 2014	918,200	23,362	752,003		646,000	8,092,803	10,432,368
Profit for the year	-	-	-		-	1,176,398	1,176,398
Other comprehensive income	-	-	-		-	16,281	16,281
Total comprehensive income	-	-	-		-	1,192,679	1,192,679
Share based payments	-	39,053	-		-	-	39,053
First and final dividend paid - 2013/14	-	-	-		-	(570,240)	(570,240)
Preference share dividend paid - 2013/14	-	-	-		-	(14)	(14)
Interim dividend paid 2014/15	-	-	-		-	(475,200)	(475,200)
As at 31 March 2015	918,200	62,415	752,003		646,000	8,240,028	10,618,646

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 148 to 194 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st March In Rs.'000s	Note	Group 2015	Group 2014	Company 2015	Company 2014
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	3,020,738	2,127,365	2,153,927	1,614,946
(Increase) / decrease in inventories		(311,176)	36,532	(118,888)	94,966
(Increase) / decrease in trade and other receivables		(121,834)	(93,775)	(171,169)	(135,339)
(Increase) / decrease in amounts due from related parties		3,354	5,493	14,460	16,393
(Increase) / decrease in other current assets		(99,967)	(54,202)	(50,152)	(9,551)
(Increase) / decrease in non current financial assets		(15,579)	9,017	(17,464)	14,931
(Increase) / decrease in other non-current assets		(2,724)	(75,179)	(327)	(8,842)
Increase / (decrease) in trade and other payables		376,988	(141,957)	7,430	(6,609)
Increase / (decrease) in amounts due to related parties		4,728	5,624	(4,915)	2,992
Increase / (decrease) in other current liabilities		5,464	66,858	8,990	29,127
Increase / (decrease) in other deffered liabilities		4,444	5,234	-	-
Increase / (decrease) in other non-current liabilities		(24,644)	(55,328)	(24,644)	(55,328)
Cash generated from operations		2,839,792	1,835,682	1,797,248	1,557,686
Finance income received		55,676	33,561	42,058	27,362
Finance expenses paid		(60,519)	(119,745)	(23,620)	(56,035)
Tax paid		(101,463)	(178,544)	(96,237)	(138,420)
Gratuity paid		(33,142)	(38,235)	(24,407)	(31,187)
Net cash flow from operating activities		2,700,344	1,532,719	1,695,042	1,359,406
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	13	(648,315)	(1,012,299)	(182,468)	(519,445)
Purchase of intangible assets	14	(1,244)	(3,628)	(453)	(3,295)
Proceeds from sale of property plant and equipment		5,448	19,977	1,703	11,463
Proceeds from sale of intangible assets		26	-	-	-
Investment in preference share of the subsidiary		-	-	-	(200,000)
Acquisition of subsidiary, net of cash acquired	40	142,260	-	-	-
Net cash flow used in investing activities		(501,825)	(995,950)	(181,218)	(711,277)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Dividend paid to equity holders of parent	10	(1,045,440)	(380,160)	(1,045,440)	(380,160)
Dividend paid to preference shareholders		(14)	(14)	(14)	(14)
Proceeds from/(repayment of) borrowings (net)	28	(139,598)	(139,598)	(139,598)	(139,598)
Proceeds from/(repayment of) short term borrowings (net)	28	-	(93,000)	-	-
Direct cost on issue of preference shares of the subsidiary		-	(1,000)	-	-
Net cash flow used in financing activities		(1,185,052)	(613,772)	(1,185,052)	(519,772)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,013,467	(77,003)	328,772	128,357
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(562,457)	(485,454)	338,805	210,448
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		451,010	(562,457)	667,577	338,805
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments	23	730,256	181,245	730,256	181,245
Cash in hand and at bank		244,351	381,833	42,867	246,866
Unfavourable balances					
Bank overdrafts		(523,597)	(1,125,535)	(105,546)	(89,306)
Total cash and cash equivalents		451,010	(562,457)	667,577	338,805

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 148 to 194 form an integral part of these Financial Statements.

Statement of Cash Flows

A-Profit before working capital changes

For the year ended 31st March In Rs.'000s	Note	Group 2015	Group 2014	Company 2015	Company 2014
Profit before tax		2,146,665	1,545,188	1,628,403	1,493,512
Adjustments for:					
Finance income	6	(55,676)	(33,561)	(42,058)	(27,362)
Finance cost	5	60,519	119,745	23,620	56,035
Share of results of equity accounted investees	17.3	17,911	(18,331)	-	-
Change in fair value of investment property	15	(8,975)	(71,796)	(8,975)	(71,796)
Depreciation of property, plant and equipment	13	693,406	665,148	457,042	439,523
Amortisation of intangible assets	14	10,659	10,296	3,703	3,399
Loss on sale of property, plant and equipment	4	29,309	30,694	4,617	19,117
Impairment of assets		4,326	-	-	-
Share based payment expense	27	65,618	38,897	39,053	23,362
Gain on lease rights forgone	3	(6,293)	(216,845)	-	(365,625)
Gratuity provision and related costs		63,269	57,930	48,522	44,781
		3,020,738	2,127,365	2,153,927	1,614,946

Figures in brackets indicate deductions.
The accounting policies and notes as set out on pages 148 to 194 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

Reporting entity

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

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

Consolidated financial statements

The Consolidated Financial Statements for the year ended 31st March 2015, comprise "the Company" referring to Ceylon Cold Stores PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2015 were authorised for issue by the Directors on 26th May 2015.

Principal Activities and Nature of Operations

Company

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

Subsidiary

The principal activity of the wholly-owned Subsidiary Jaykay Marketing Services (Pvt) Ltd. is owing and operating a chain of supermarkets.

During the year, Jaykay Marketing Services (Pvt) Ltd (JMSL) acquired 10,000 fully paid ordinary shares of Nexus Networks (Pvt) Ltd (NNL), which represented 100% of NNL's issued share capital, from the Ultimate Parent Company, namely John Keells Holdings PLC. Subsequently, NNL was amalgamated with JMSL, in accordance with provisions of the Companies Act, No. 07 of 2007 (the "Act") with effect from 19 February 2015.

Other than the above, there were no significant changes in the nature of the principal activities of the Company and the Subsidiary during the financial year under review.

Associate

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

Parent Enterprise and Ultimate Parent Enterprise

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

Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

The responsibility of the Directors in relation to the Financial Statements is set out in 'The Statement of Director's Responsibility on page 140 to in the Annual report.

Statement of compliance

The Financial Statements which comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act, No. 7 of 2007.

1.2 BASIS OF PREPARATION

Bases of Measurement

The Consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

Presentation and Functional Currency

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

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

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

The significant accounting policies are discussed in note 1.4 below.

Consolidation

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its Subsidiary as at 31st March 2015. The Financial Statements of the Subsidiary is prepared in compliance with the Group's accounting policies unless otherwise stated.

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

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

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

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

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

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

	Holding
Jaykay Marketing Services (Pvt) Ltd.	100%
Waterfront Properties (Pvt Ltd.	39%

Subsidiary

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

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

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

The Consolidated Statements of Cash Flows includes the cash flows of the Company and it's Subsidiaries.

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

A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a Subsidiary, it:

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

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from Parent's shareholders' equity.

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

Common Control Business Combinations

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

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

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

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

Investment in Associate

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

1.3. Changes in Accounting Polices and Significant Accounting Judgements, Estimates and Assumptions

1.3.1 Changes In Accounting Policies

The accounting policies adopted by the Group are consistent with those used in the previous year except for the following;

New Accounting Standards became effective during the year are as follows;

SLFRS 10 Consolidated Financial Statements

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities.

SLFRS 10 replaces the parts of previously existing LKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated Financial Statements s and SIC-12 Consolidation – Special Purpose Entities. SLFRS 10 changes the definition of control such that an investor controls an investee has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

SLFRS 10 has had no impact on the consolidation of investments held by the Group.

SLFRS 11 Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities Non-monetary Contributions by Venturers. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under SLFRS 11 must be accounted for using the equity method.

SLFRS 11 has had no impact on the consolidation of investments held by the Group.

SLFRS 12 Disclosure of Interests in Other Entities

SLFRS 12 requires that an entity disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- that it has control of another entity
- that is it has joint control of an arrangement or significant influence over another entity
- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle

An entity must disclose, for example, significant judgements and assumptions made in determining that

- it does not control another entity even though it holds more than half of the voting rights of the other entity
- it controls another entity even though it holds less than half of the voting rights of the other entity
- it is an agent or principal as defined by SLFRS 10
- it does not have significant influence even though it holds 20 percent or more of the voting rights of another entity
- it has significant influence even though it holds less than 20 percent of the voting rights of another entity

The Group does not have any interest in unconsolidated structured entities. Interests in such entities require the disclosures under SLFRS 12.

SLFRS 13 Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The application of SLFRS 13 has not materially impacted the fair value measurements carried out by the Group.

Comparative information

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

1.3.2 Significant Accounting Judgements, Estimates And Assumptions

The preparation of the Financial Statements of the Group require the management to make judgements, estimates and assumptions, which may affect the amounts of income, expenditure, assets , liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management — Note 12.6
- Financial risk management and policies — Note 12
- Sensitivity analyses disclosures — Note 12.4

Valuation of property, plant and equipment and investment properties

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of equity. The Group engaged independent valuation specialists to determine fair value of investment properties and land and buildings as at 31 March 2015. In addition, it carries its investment properties at fair value, with changes in fair value being recognised in the income statement.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property. Refer note 13 and 15 for further the explanations.

Useful lives of items of Property, Plant and Equipment

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The future cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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

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

Taxes

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

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is

Notes to the Financial Statements

required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax losses carried forward amounting to Rs. 658 million (2014 - Rs. 791 million). These losses relate to the Subsidiary that had a history of losses that do not expire and may not be used to offset other tax liabilities and where the Subsidiary has no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

Further details on taxes are disclosed in note 8.

Employee Benefit Liability

The employee benefit liability of the Group is based on the actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in note 30.

Operating Lease

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

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

Deposit on Returnable Containers and Crates

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

During the year 2011/2012 a detailed analysis was undertaken by the management to establish the liability considering the past data relating to distributor termination, refund and forfeiture of deposits. A mathematical formula was derived from this analysis taking in to consideration the tenure of distributorship and the number of returnable containers and crates returned at the point of distributor termination. The liability calculated based on this model was compared against the balance as per the books of accounts. The difference arising out of this is transferred to the Income Statement. Further details are disclosed in note 31.

Fair value of financial instruments

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

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 11 for further the explanations.

Expiry of loyalty points awarded

The Group policy is to write-back loyalty points awarded to customers, upon expiry. During the year the period of expiry was changed from 4 years to 2 years.

1.4 Summary Of Significant Accounting Policies

1.4.1 Business combinations and goodwill

Acquisitions are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

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

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

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

1.4.2 Foreign currency translation

Foreign currency transactions and balances

The Group's Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

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

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

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

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

Associate's operations

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

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

1.4.3 Tax

Current tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances

Notes to the Financial Statements

changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Sales tax

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

- Where the sales tax incurred on a purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and
- Receivables and payables that are stated with the amount of sales tax included.

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

1.4.4 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments such as non-financial assets at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

• Disclosures for valuation methods, significant estimates and assumptions	Note 1.3.2
• Quantitative disclosures of fair value measurement hierarchy	Note 11.2
• Property, plant and equipment under revaluation model	Note 13.2
• Financial instruments (including those carried at amortised cost)	Note 11

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 —Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group and the Company management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non- recurring measurement, such as assets held for distribution in discontinued operations.

External Valuers are involved for valuation of significant assets such as investment properties and land and buildings, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the Group after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. After discussions with the Group's External Valuers, valuation techniques and inputs to use for each case are determined.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with the Group's External Valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

1.4.5 Property, plant and equipment

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing Land and Building at least once every 5 years.

Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in Equity in the asset Revaluation Reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve related to the particular asset being sold is transferred to retained earnings.

Derecognition

An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation

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

Notes to the Financial Statements

The estimated useful life of assets is as follows:

Assets	Years
Buildings	10-50
Building on Lease Hold Land*	10
Plant and Machinery	3-30
Equipments, Furniture and Fittings	5-15
Motor Vehicles	3-15
Others Assets	3-20
Returnable containers	4-10

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

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

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

1.4.6 Leases

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

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership over the terms of the lease, are classified as operating leases.

Lease payments are recognized as an expense in the income statement on a straight line basis over the terms of the leases.

1.4.7 Leasehold property

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

Details of the Leasehold Property are given in note 32 to the Financial Statements.

1.4.8 Investment properties

Basis of measurement

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the Income Statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Derecognition

Investment properties are de recognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the Income Statement in the year of retirement or disposal.

1.4.9 Intangible assets

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Purchased software

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

Software licence

Software licence costs are recognised as an intangible asset and amortised over the period of expected future usage of related ERP systems.

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

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

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

1.4.10 Financial instruments — initial recognition and subsequent measurement

i) Financial assets initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

Derecognition

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

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

Notes to the Financial Statements

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

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables Note 12.1.4

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

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

Financial assets carried at amortised cost

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

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

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

iii) Financial liabilities initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

iv) Offsetting of financial instruments

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

v) Fair value of financial instruments

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

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

1.4.11 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Intangible assets Note 14
- Goodwill and intangible assets with indefinite lives Note 14

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or Group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Notes to the Financial Statements

1.4.12 Inventories

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

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

Raw materials, Machinery spares and other inventories	Actual cost on a weighted average basis
Finished goods, Retail Inventories and work-in-progress	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs

1.4.13 Cash and cash equivalents

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

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

1.4.14 Employee share option plan

In accounting for employee remuneration in the form of shares, SLFRS 2- Share Based Payment, is effective for the Group, from the financial year beginning 2013/14.

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

The employee remuneration expense resulting from the John Keells Group's Employees share option (ESOP) scheme to the employees of Ceylon Cold Stores PLC is recognised in the income statements of the Company. This transaction does not result in a cash outflow and the expense recognised is met with a corresponding equity reserve increase, thus having no impact on the Statement Of Financial Position. The fair value of the options granted is determined by using an option pricing model.

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfiled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in the share based payment plan note 27.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph

1.4.15 Defined benefit plan - gratuity

The liability recognised in the Statement Of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in statement of comprehensive income.

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

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

1.4.17 Provisions, contingent assets and contingent liabilities

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

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

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

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

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

1.4.18 Deposit on Returnable Containers and Crates

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

At each Reporting date, the Company evaluates the liability based on a mathematical formula that considers the tenure of the distributorship and number of return crates and containers. Any difference between the calculated liability and the book balance is transferred to the Income Statement.

1.4.19 Revenue recognition

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

The following specific criteria are used for recognition of revenue:

Sale of goods

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

Turnover based taxes

Turnover based taxes include value added tax and nation building tax. Companies in the Group pay such taxes in accordance with the respective statutes.

Dividend

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

Finance income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Notes to the Financial Statements

Rental income

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

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

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

Other income

Other income is recognised on an accrual basis.

1.4.20 Expenditure recognition

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

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

Finance cost

Finance cost comprises of interest expense on borrowings that are recognized in the income statement.

Borrowing costs

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

1.5 Sri Lanka Accounting Standards (SLFRS/LKAS) Issued But Not Yet Effective

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

a) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual period commencing on or after 01 January 2018. However the effective date has been deferred subsequently.

b) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under SLFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SLFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under SLFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of SLFRS 15 and plans to adopt the new standard on the required effective date.

1.6 Segment Information /Operating Segments

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

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

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

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

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

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

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

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

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

Segment information

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

Notes to the Financial Statements

For the year ended 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
2 REVENUE				
2.1 Revenue				
Sale of goods	27,702,523	23,616,048	9,771,593	8,862,377
Turnover tax	(3,464)	(2,358)	(3,464)	(2,358)
Net revenue	27,699,059	23,613,690	9,768,129	8,860,019
2.2 Geographical segment analysis (by location of customers)				
Sri Lanka	27,461,479	23,402,334	9,530,549	8,648,663
Others	237,580	211,356	237,580	211,356
Net revenue	27,699,059	23,613,690	9,768,129	8,860,019

All non-current assets are located in Sri Lanka.

2.3 Operating segments

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

	Manufacture 2015	Manufacture 2014	Retail 2015	Retail 2014	Total 2015	Total 2014
External Revenue	9,451,273	8,564,594	18,247,786	15,049,096	27,699,059	23,613,690
Inter segment revenue	316,856	295,425	-	-	316,856	295,425
Segment Revenue	9,768,129	8,860,019	18,247,786	15,049,096	28,015,915	23,909,115
Elimination	-	-	-	-	(316,856)	(295,425)
Revenue	9,768,129	8,860,019	18,247,786	15,049,096	27,699,059	23,613,690
Segment operating profit	1,600,990	1,450,389	572,640	238,648	2,173,630	1,689,037
Finance costs	(23,620)	(56,035)	(36,899)	(63,710)	(60,519)	(119,745)
Finance income	42,058	27,362	13,618	6,199	55,676	33,561
Change in fair value of investment property	8,975	71,796	-	-	8,975	71,796
Share of results of equity accounted investees	-	-	-	-	(17,911)	18,331
Eliminations / adjustments	-	-	-	-	(13,186)	(147,792)
Profit before tax	1,628,403	1,493,512	549,359	181,137	2,146,665	1,545,188
Tax Expense	(452,005)	(239,381)	(169,165)	(88,090)	(621,170)	(327,471)
Profit for the year	1,176,398	1,254,131	380,194	93,047	1,525,495	1,217,717
Reportable Segment Assets	6,432,486	6,028,078	4,516,442	4,154,874	10,923,487	10,134,037
Capital Expenditure	182,921	522,740	466,638	493,187	649,559	1,015,927
Reportable Segment Liabilities	2,524,052	2,296,947	3,336,424	3,344,431	5,838,775	5,596,723

*Inter-segment revenue and inter-Company balances are eliminated on consolidation.

*Segment Asset do not include goodwill, investment property, investment in Subsidiary and investment in associate.

For the year ended 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
3 OTHER OPERATING INCOME				
Exchange (loss)/gain	(1,395)	988	(1,633)	973
Promotional income	874,606	629,608	-	-
Write back of dealer deposits	28,238	41,363	28,238	41,363
Scrap sales	11,876	9,660	11,876	9,660
Rental income	117,930	119,347	-	597
Franchise income	27,657	29,740	4,779	3,517
Gain on lease rights forgone	6,293	216,845	-	365,625
Sundry income	131,491	116,058	53,872	34,722
	1,196,696	1,163,609	97,132	456,457
4 OTHER OPERATING EXPENSES				
Nation building tax	378,051	320,198	170,185	148,786
Spoilage and wastage	70,925	45,675	74,595	45,675
Bank charges	5,329	4,709	3,777	3,630
Cash collection charges	18,475	17,120	-	-
Loss on disposal of plant and equipment	29,309	30,694	4,617	19,117
Other expenses	6,649	4,078	2,373	2,233
	508,738	422,474	255,547	219,441
5 FINANCE COST				
Interest expense on borrowings				
Long term	23,424	118,354	23,424	54,644
Short term	37,095	1,391	196	1,391
	60,519	119,745	23,620	56,035
6 FINANCE INCOME				
Interest income on staff loan	16,658	15,119	11,734	10,054
Income from short term investments	39,018	18,442	30,324	17,308
	55,676	33,561	42,058	27,362

Notes to the Financial Statements

For the year ended 31st March In Rs.'000s		Group 2015	Group 2014	Company 2015	Company 2014
7 PROFIT BEFORE TAX					
Profit before tax is stated after charging all expenses including the following;					
Remuneration to Executive Directors		80,675	62,303	47,593	31,154
Remuneration to Non-Executive Directors		8,625	7,200	6,750	5,400
Auditor's remuneration					
Audit		2,193	2,130	1,355	1,290
Non-audit		141	1,065	141	165
Costs of defined employee benefits					
Defined benefit plan cost		63,279	57,930	48,522	44,781
Defined contribution plan cost - EPF and ETF		157,785	144,256	95,036	86,848
Staff expenses		2,425,371	2,047,979	1,331,726	1,243,445
Depreciation of property, plant and equipment		693,406	665,148	457,042	439,523
Amortisation of intangible assets		10,659	10,296	3,703	3,399
Operating lease payments		33,018	31,446	33,018	31,446
Donations		5,705	7,702	5,581	7,702
Corporate social responsibility related expenses		12,000	8,000	12,000	8,000
8 TAX EXPENSE					
Current income tax					
Tax charge for the period		450,627	123,861	370,698	118,655
Under provision of current tax of previous years		12,567	-	12,567	-
Economic service charge written-off		-	27,621	-	-
		463,194	151,482	383,265	118,655
Deferred tax					
Relating to origination and reversal of temporary differences	8.4	157,976	175,989	68,740	120,726
		621,170	327,471	452,005	239,381
8.1 Reconciliation between current tax charge and the accounting profit					
Profit before tax		2,146,665	1,545,188	1,628,403	1,493,512
Share of results of equity accounted investees		17,911	(18,331)	-	-
Consolidation adjustments		13,186	147,792	-	-
Profit after adjustment		2,177,762	1,674,649	1,628,403	1,493,512
Exempt profits		(9,433)	(9,264)	(9,433)	(9,264)
Income not liable for income tax		(22,027)	(437,418)	(22,027)	(437,418)
Adjusted accounting profit chargeable to income taxes		2,146,302	1,227,967	1,596,943	1,046,830
Disallowable expenses		978,131	878,326	636,233	590,039
Allowable expenses		(1,237,459)	(1,584,689)	(764,918)	(1,143,968)
Qualifying payment deductions		(129,437)	(129,598)	(129,437)	(129,598)
Utilisation of tax losses		(133,254)	(10,011)	-	-
Taxable income		1,624,283	381,994	1,338,821	363,302
Income tax charged at					
Standard rate of 28%		447,498	122,674	367,569	117,468
Other concessionary rates		3,129	1,187	3,129	1,187
Under provision for previous years		12,567	-	12,567	-
Economic service charge written-off		-	27,621	-	-
Current tax charge		463,194	151,482	383,265	118,655

For the year ended 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
8.2 Reconciliation between Income tax expense and the product of accounting profit				
Adjusted accounting profit chargeable to income taxes	2,146,302	1,227,967	1,596,943	1,046,830
Tax effect on chargeable profits	596,123	452,975	442,114	402,257
Tax effect on non deductible expenses	48,504	103,700	33,796	23,008
Tax effect on deductions claimed	(36,472)	(185,884)	(36,472)	(185,884)
Net tax effect of unrecognised deferred tax assets for the year	448	(70,941)	-	-
Under/(over) provision for previous years	12,567	-	12,567	-
Other income based taxes				
Irrecoverable economic service charge	-	27,621	-	-
Tax expense	621,170	327,471	452,005	239,381
8.3 Tax losses carried forward				
Tax losses brought forward	790,950	797,930	-	-
Adjustments on finalisation of liability	439	3,031	-	-
Utilisation of tax losses	(133,254)	(10,011)	-	-
	658,135	790,950	-	-
8.4 Deferred tax expense				
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	129,208	184,296	75,412	129,830
Employee benefit liabilities	(8,420)	(10,261)	(6,672)	(9,104)
Benefit arising from tax losses	37,188	1,954	-	-
Deferred tax charge	157,976	175,989	68,740	120,726
Other comprehensive income				
Deferred tax expense arising from;				
Employee benefit liabilities	5,383	-	6,229	-
Tax effect on revaluation	1,157	-	-	-
Deferred tax on other comprehensive income	6,540	-	6,229	-
Total deferred tax charge	164,516	175,989	74,969	120,726

	Year of investment	Cost of approved investments	Relief claimed on investments
8.5 Details of investment relief claimed			
Ceylon Cold Stores PLC.	2011/2012	256,702	256,702
	2012/2013	167,091	125,318
	2013/2014	72,801	36,400

The Company is eligible for qualifying payment relief granted under Section 34(2)(s) of the Inland Revenue Act, No. 10 of 2006 and amendments thereto. The Company has carried forward the unclaimed investment relief to set off in future years.

Notes to the Financial Statements

8.6 Applicable rates of income tax

The tax liability of the Company is computed at the standard rate of 28% except for the following partial exemptions and concessions.

Company	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Inland Revenue Act Ceylon Cold Stores PLC.	Off-Shore activities for payment in foreign currency	Exempt	Open-ended
	Qualified export profits	12%	Open-ended

9 EARNINGS PER SHARE

Group

For the year ended 31st March In Rs. '000	2015	2014
Basic earnings per share		
Profit for the year	1,525,495	1,217,717
Dividend on preference shares (net of tax)	(13)	(13)
Profit attributable to equity holders of the parent	1,525,482	1,217,704
Weighted average number of ordinary shares	95,040	95,040
Basic earnings per share	16.05	12.81

9.1 Amount used as denominator

	2015	2014
Weighted average number of ordinary shares outstanding during the year	95,040	95,040

10 DIVIDEND PER SHARE

Equity dividend on ordinary shares	Rs.	2015	Rs.	2014
Declared and paid during the year				
First and Final dividend*	6.00	570,240	4.00	380,160
Interim dividend paid	5.00	475,200	-	-
Total dividend	11.00	1,045,440	4.00	380,160

*Previous years' first and final dividend paid in the current financial year.

The Final Dividend proposed of Rs. 6.00 per share for this financial year has not been recognised as at the reporting date in compliance with LKAS 10 - Events After the Reporting Period

11 FINANCIAL INSTRUMENTS

11.1 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories	**Group Loans and receivables**		**Company Loans and receivables**	
As at 31st March	2015	2014	2015	2014
In Rs. '000				
Financial instruments in non-current assets				
Non-current financial assets	92,790	76,323	64,517	47,053
Financial instruments in current assets				
Trade and other receivables	1,481,088	1,348,016	1,253,607	1,082,438
Amounts due from related parties	7,073	3,928	34,594	49,054
Short term investments	730,256	181,245	730,256	181,245
Cash in hand and at bank	244,351	381,833	42,867	246,866
Total	2,555,558	1,991,345	2,125,841	1,606,656

Financial liabilities by categories

	Group financial liabilities measured at amortised cost		**Company financial liabilities measured at amortised cost**	
	2015	2014	2015	2014
Financial instruments in non-current liabilities				
Borrowings	84,073	185,337	84,073	185,337
Financial instruments in current liabilities				
Trade and other payables	3,120,501	2,566,964	645,002	637,572
Amounts due to related parties	126,411	115,794	8,099	13,014
Current portion of borrowings	101,264	139,598	101,264	139,598
Bank overdrafts	523,597	1,125,535	105,546	89,306
Total	3,955,846	4,133,228	943,984	1,064,827

The management assessed that fair value of cash in hand and at bank, short term investments, amounts due from related parties, trade and other receivables, bank over drafts, current portion of borrowings, amount due to related parties and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.

Notes to the Financial Statements

11.2 Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group held the following financial instruments carried at fair value in the statement of financial position:

Non-financial Assets - Group

As at 31st March	Date of Valuation	Level 1		Level 2		Level 3	
In Rs. '000		2015 Rs	2014 Rs	2015 Rs	2014 Rs	2015 Rs	2014 Rs
Assets measured at fair value							
Property, Plant and Equipment							
Land and buildings	31.03.2013	-	-	-	-	1,053,916	1,053,916
Buildings on lease hold land	31.03.2015	-	-	-	-	5,449	8,469
Investment Property							
Land and buildings	31.03.2015	-	-	-	-	94,457	85,482

Non-financial Assets - Company

As at 31st March	Date of Valuation	Level 1		Level 2		Level 3	
		2015 Rs	2014 Rs	2015 Rs	2014 Rs	2015 Rs	2014 Rs
Assets measured at fair value							
Property, Plant and Equipment							
Land and buildings	31.03.2013	-	-	-	-	1,053,916	1,053,916
Investment Property							
Land and buildings	31.03.2015	-	-	-	-	94,457	85,482

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also the valuers have made reference to market evidence of the transaction prices for similar properties, with appropriate adjustments for the size and location. The appraised fair value are rounded within the range of values.

Basis of Valuation of Non Financial Assets	Valuation Techniques	Sensitivity of fair value to unobservable Input	Unobservable Inputs	Range of Unobservable Inputs (Probability Weighted Average)
Property, Plant and Equipment				
Land	Open Market	Positively Correlated	Per Perch Value	Rs. 100,000-Rs.125,000
Buildings	Open Market	Positively Correlated	Per Square foot Value	Rs. 500-Rs.3500
Investment Property				
Land	Open Market	Positively Correlated	Per Perch Value	Rs. 550,000
Buildings	Open Market	Positively Correlated	Per Square foot Value	Rs. 50

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Group, principally comprise of cash, loans to executives, trade and other receivables, trade and other payables and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

Risk management is carried out by a central treasury department (JKH Group Treasury) under guidelines of the Group Executive Committee (GEC). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The GEC provides guidelines for overall risk management, as well as covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

12.1 Credit risk

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

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

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments, investment loan, and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfil their obligations.

12.1.1 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

Group					2015			
	Notes	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
Government securities	12.1.2	-	-	-	730,256	-	730,256	29%
Loans to executives	12.1.3	92,790	-	37,077	-	-	129,867	5%
Trade and other receivables	12.1.4	-	-	1,444,011	-	-	1,444,011	56%
Amounts due from related parties	12.1.5	-	-	-	-	7,073	7,073	0%
Cash in hand and at bank	12.1.6	-	244,351	-	-	-	244,351	10%
Total credit risk exposure		92,790	244,351	1,481,088	730,256	7,073	2,555,558	100%

Notes to the Financial Statements

	Notes	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
					2014			
Government securities	12.1.2	-	-	-	181,245	-	181,245	9%
Loans to executives	12.1.3	76,323	-	31,222	-	-	107,545	5%
Trade and other receivables	12.1.4	-	-	1,316,794	-	-	1,316,794	67%
Amounts due from related parties	12.1.5	-	-	-	-	3,928	3,928	0%
Cash in hand and at bank	12.1.6	-	381,833	-	-	-	381,833	19%
Total credit risk exposure		76,323	381,833	1,348,016	181,245	3,928	1,991,345	100%

Company

	Notes	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
					2015			
Government securities	12.1.2	-	-	-	730,256	-	730,256	34%
Loans to executives	12.1.3	64,517	-	29,134	-	-	93,651	4%
Trade and other receivables	12.1.4	-	-	1,224,473	-	-	1,224,473	58%
Amounts due from related parties	12.1.5	-	-	-	-	34,594	34,594	2%
Cash in hand and at bank	12.1.6	-	42,867	-	-	-	42,867	2%
Total credit risk exposure		64,517	42,867	1,253,607	730,256	34,594	2,125,841	100%

	Notes	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
					2014			
Government securities	12.1.2	-	-	-	181,245	-	181,245	11%
Loans to executives	12.1.3	47,053	-	23,650	-	-	70,703	4%
Trade and other receivables	12.1.4	-	-	1,058,788	-	-	1,058,788	67%
Amounts due from related parties	12.1.5	-	-	-	-	49,054	49,054	3%
Cash in hand and at bank	12.1.6	-	246,866	-	-	-	246,866	15%
Total credit risk exposure		47,053	246,866	1,082,438	181,245	49,054	1,606,656	100%

12.1.2 Government securities

As at 31 March 2015 as shown in table above, 29% (2014-9%) of debt securities comprise investments in government securities consist of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

12.1.3 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary Power of Attorney/promissory notes as collateral for the loans granted.

12.1.4 Trade and other receivables

As at 31st March In Rs. '000	Days	Group 2015	2014	Company 2015	2014
Neither past due nor impaired					
	<30	1,244,999	1,044,585	1,075,045	882,655
	30–60	140,806	154,080	113,190	109,400
Past due but not impaired					
	61–90	21,686	65,020	11,908	42,475
	91–120	10,116	26,816	3,214	5,375
	121–180	5,365	4,975	4,014	3,713
	> 181	21,039	21,318	17,102	15,170
Impaired		19,917	19,460	16,608	17,150
Gross carrying value		1,463,928	1,336,254	1,241,081	1,075,938
Less: impairment provision					
Individually assessed impairment provision		(19,917)	(19,460)	(16,608)	(17,150)
Total		1,444,011	1,316,794	1,224,473	1,058,788

The Group have obtained Bank guarantee from customers by reviewing their past performance and credit worthiness, as collateral.
The requirement for an impairment is analysed at each reporting date on an individual basis for clients. The calculation is based on actual data.

12.1.5 Amounts due from related parties

The Group balance consists of the balance from affiliated companies and Parent.

12.1.6 Cash in hand and at bank

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Company and the Subsidiary maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash in hand and at bank of Rs. 244 Mn at 31 March 2015 (2014 - Rs. 382 Mn).

12.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, overdrafts over a broad spread of maturities.

Notes to the Financial Statements

12.2.1 Net (debt)/cash

As at 31st March	Group		Company	
In Rs. '000	2015	2014	2015	2014
Short term investments	730,256	181,245	730,256	181,245
Cash in hand and at bank	244,351	381,833	42,867	246,866
Total liquid assets	974,607	563,078	773,123	428,111
Borrowings	84,073	185,337	84,073	185,337
Current portion of borrowings	101,264	139,598	101,264	139,598
Bank overdrafts	523,597	1,125,535	105,546	89,306
Total liabilities	708,934	1,450,470	290,883	414,241
Net (debt)/cash	265,673	(887,392)	482,240	13,870

12.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2015 based on contractual undiscounted payments.

Group
2015

	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Financial instruments in non-current liabilities							
Borrowings	-	69,073	15,000	-	-	-	84,073
Financial instruments in current liabilities							
Trade and other payables	3,120,502	-	-	-	-	-	3,120,502
Amounts due to related parties	126,411	-	-	-	-	-	126,411
Current portion of borrowings	101,264	-	-	-	-	-	101,264
Bank overdrafts	523,597	-	-	-	-	-	523,597
	3,871,774	69,073	15,000	-	-	-	3,955,847

Group
2014

	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Financial instruments in non-current liabilities							
Borrowings	-	101,264	69,073	15,000	-	-	185,337
Financial instruments in current liabilities							
Trade and other payables	2,566,964	-	-	-	-	-	2,566,964
Amounts due to related parties	115,794	-	-	-	-	-	115,794
Current portion of borrowings	139,598	-	-	-	-	-	139,598
Bank overdrafts	1,125,535	-	-	-	-	-	1,125,535
	3,947,891	101,264	69,073	15,000	-	-	4,133,228

Company
2015

	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Financial instruments in non-current liabilities							
Borrowings	-	69,073	15,000	-	-	-	84,073
Financial instruments in current liabilities							
Trade and other payables	645,002	-	-	-	-	-	645,002
Amounts due to related parties	8,099	-	-	-	-	-	8,099
Current portion of borrowings	101,264	-	-	-	-	-	101,264
Bank overdrafts	105,546	-	-	-	-	-	105,546
	859,911	69,073	15,000	-	-	-	943,984

Company
2014

	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Financial instruments in non-current liabilities							
Borrowings	-	101,264	69,074	15,000	-	-	185,338
Financial instruments in current liabilities							
Trade and other payables	637,572	-	-	-	-	-	637,572
Amounts due to related parties	13,014	-	-	-	-	-	13,014
Current portion of borrowings	139,598	-	-	-	-	-	139,598
Bank overdrafts	89,306	-	-	-	-	-	89,306
	879,490	101,264	69,074	15,000	-	-	1,064,828

12.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise four types of risk:
* Interest rate risk
* Currency risk
* Commodity price risk
* Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group does not have an direct impact from Commodity price risk and Equity price risk.

The sensitivity analysis in the following sections relate to the position as at 31 March 2015 and 2014.
The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligations provisions and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

Notes to the Financial Statements

The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments.
The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2015 and 2014.

12.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, based on the market condition and outlook of the interest rate, the Group takes mitigating action such as interest rate caps, etc.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Group** Effect on profit before tax Rs'000	**Company** Effect on profit before tax Rs'000
2015	+ 150 basis points	3,914	3,914
	- 150 basis points	(3,914)	(3,914)
2014	+ 150 basis points	4,874	4,874
	- 150 basis points	(4,874)	(4,874)

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

12.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. JKH Group treasury analyses the market condition of foreign exchange and provides market updates to the GEC, with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency.

12.6 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	Group		**Company**	
	2015	2014	2015	2014
Debt / Equity	6.65%	14.50%	2.74%	3.97%

13 PROPERTY, PLANT AND EQUIPMENT

13.1

As at 31 st March In Rs. '000s	Land and buildings	Buildings on leasehold land and building improvement	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Returnable containers	Others	Capital work in progress	Total 2015	Total 2014
Group										
Cost or valuation										
At the beginning of the year	1,102,914	572,336	3,478,675	1,051,719	95,156	808,618	2,049,356	149,617	9,308,391	8,764,047
Additions	3,409	182,011	192,037	114,658	16,380	2,533	77,831	59,456	648,315	1,012,299
Acquisition of Subsidiary	-	-	-	1,240	-	-	-	-	1,240	-
Disposal/De-recognition	-	(942)	(82,540)	(115,243)	(6,061)	(11,187)	(200,316)	(1,387)	(417,676)	(435,691)
Revaluations	-	4,133	-	-	-	-	-	-	4,133	-
Impairment	-	(6,027)	(21,396)	(13,290)	-	-	(4,718)	-	(45,431)	(32,264)
Transfers	-	138,345	400	3,276	-	-	1,395	(148,680)	(5,264)	-
At the end of the year	1,106,323	889,856	3,567,176	1,042,360	105,475	799,964	1,923,548	59,006	9,493,708	9,308,391
Accumulated depreciation and impairment										
At the beginning of the year	(16,908)	(51,410)	(1,364,962)	(632,435)	(69,949)	(378,325)	(1,347,556)	-	(3,861,545)	(3,583,889)
Charge for the year	(17,553)	(49,721)	(257,451)	(100,171)	(2,406)	(85,480)	(180,624)	-	(693,406)	(665,148)
Acquisition of Subsidiary	-	-	-	(921)	-	-	-	-	(921)	-
Disposal/De-recognition	-	520	67,664	106,052	6,060	6,119	196,505	-	382,920	385,020
Impairment	-	3,013	20,720	11,312	-	-	4,194	-	39,239	2,472
Transfers	-	5,264	-	-	-	-	-	-	5,264	-
At the end of the year	(34,461)	(92,334)	(1,534,029)	(616,163)	(66,295)	(457,686)	(1,327,481)	-	(4,128,449)	(3,861,545)
Carrying value										
As at 31 March 2015										
At valuation	1,053,916	5,449	-	-	-	-	-	-	1,059,365	-
At cost	17,946	792,073	2,033,147	426,197	39,180	342,278	596,067	59,006	4,305,894	-
	1,071,862	797,522	2,033,147	426,197	39,180	342,278	596,067	59,006	5,365,259	-
As at 31 March 2014										
At valuation	1,053,916	8,469	-	-	-	-	-	-	-	1,062,385
At cost	32,090	512,457	2,113,713	419,284	25,207	430,293	701,800	149,617	-	4,384,461
	1,086,006	520,926	2,113,713	419,284	25,207	430,293	701,800	149,617	-	5,446,846
Company										
Cost or valuation										
At the beginning of the year	1,102,914	-	2,545,898	55,576	94,927	808,618	1,852,783	400	6,461,116	6,300,646
Additions	3,409	-	94,833	8,730	16,380	2,533	56,583	-	182,468	519,445
Disposal/De-recognition	-	-	(5,390)	(8,439)	(6,060)	(11,188)	(178,448)	-	(209,525)	(326,711)
Impairment	-	-	-	-	-	-	-	-	-	(32,264)
Transfers from CWIP	-	-	400	-	-	-	-	(400)	-	-
At the end of the year	1,106,323	-	2,635,741	55,867	105,247	799,963	1,730,918	-	6,434,059	6,461,116
Accumulated depreciation and impairment										
At the beginning of the year	(16,908)	-	(947,583)	(35,738)	(69,751)	(378,324)	(1,211,451)	-	(2,659,755)	(2,518,835)
Charge for the year	(17,553)	-	(183,384)	(5,744)	(2,376)	(85,480)	(162,505)	-	(457,042)	(439,523)
Disposal/De-recognition	-	-	4,187	8,391	6,060	6,119	178,448	-	203,205	296,131
Impairment	-	-	-	-	-	-	-	-	-	2,472
At the end of the year	(34,461)	-	(1,126,780)	(33,091)	(66,067)	(457,685)	(1,195,508)	-	(2,913,592)	(2,659,755)
Carrying value										
As at 31 March 2015										
At valuation	1,053,916	-	-	-	-	-	-	-	1,053,916	-
At cost	17,946	-	1,508,961	22,776	39,180	342,278	535,410	-	2,466,551	-
	1,071,862	-	1,508,961	22,776	39,180	342,278	535,410	-	3,520,467	-
As at 31 March 2014										
At valuation	1,053,916	-	-	-	-	-	-	-	-	1,053,916
At cost	32,090	-	1,598,315	19,838	25,176	430,294	641,332	400	-	2,747,445
	1,086,006	-	1,598,315	19,838	25,176	430,294	641,332	400	-	3,801,361

Notes to the Financial Statements

13.2 Revaluation of land and buildings

The Group uses the revaluation model of measurement of land and buildings. The Group engaged P B Kalugalagedara & Associates, an independent expert valuer, to determine the fair value of its land and buildings and they have carried out the valuation in accordance with Sri Lanka Accounting Standards and International Valuation Standards published by the International Valuation Standards Committee (IVSC). Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property.

Property	Method of valuation	Effective date of valuation	Property valuer
Land and building of Ceylon Cold Stores PLC. Ranala	Open market value method	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Buildings of Jaykay Marketing Services (Pvt) Ltd Mount Lavinia	Open market value method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor

The carrying amount of revalued buildings of the Group if they were carried at cost less depreciation and impairment, would be as follows;

As at 31st March In Rs. '000s	2015	2014
Cost	379,111	401,361
Accumulated depreciation and impairment	(119,884)	(134,525)
Carrying value	259,227	266,836

13.3 Kaduwela Factory land, buildings and plant and machinery are pledged on a primary concurrent mortgage for loans obtained from DFCC Bank, details of which are disclosed in Note 28.4.

13.4 Group property, plant and equipment with a cost of Rs 1,456 Mn (2014 - Rs.1,414 Mn) have been fully depreciated and continue to be in use by the Group.

13.5 No borrowing cost was captalised during the period (2014 Rs Nil).

13.6 The Group has constructed buildings on lease hold land. Future minimum lease payments under non-cancellable operating leases of land are as disclosed in note 39.

13.7 Other assets mainly comprise of freezers, bottle coolers and crates. The net book value of those assets are as follows.

As at 31st March In Rs. '000s	2015 Freezers	 Coolers	 Crates	2014 Freezers	 Coolers	 Crates
Cost	534,285	475,339	589,772	517,955	451,199	757,548
Accumulated depreciation and impairment	(343,235)	(247,135)	(502,957)	(314,852)	(213,075)	(595,730)
Carrying value	191,050	228,204	86,815	203,103	238,124	161,818

As at 31st March In Rs. '000s	Group 2015	 2014	Company 2015	 2014
14 INTANGIBLE ASSETS				
Cost/carrying value				
At the beginning of the year	224,739	221,111	18,052	14,757
Additions / transfers	1,244	3,628	453	3,295
Acquisition of Subsidiary	121	-	-	-
Disposal/De-recognition	(77)	-	-	-
Impairment	(52)	-	-	-
At the end of the year	225,975	224,739	18,505	18,052
Accumulated amortisation				
At the beginning of the year	(62,763)	(52,467)	(4,206)	(807)
Amortisation	(10,659)	(10,296)	(3,703)	(3,399)
Acquisition of Subsidiary	(43)	-	-	-
Disposal/De-recognition	51	-	-	-
Impairment	34	-	-	-
At the end of the year	(73,380)	(62,763)	(7,909)	(4,206)
Carrying value				
As at 31 March	152,595	161,976	10,596	13,846
Carrying value of Intangible Assets				
Goodwill*	115,006	115,006	-	-
Software	37,589	46,970	10,596	13,846
	152,595	161,976	10,596	13,846

14.1 *The recoverable amount of cash generating unit relevant to the goodwill is more than the carrying amount at the end of the reporting period. Therefore, no impairment loss is recognised in respect of goodwill as at 31st March 2015.

Goodwill

Goodwill acquired through business combination is due to the purchase of Jaykay Marketing Services (Pvt) Ltd and goodwill is tested for impairment as follows;

Notes to the Financial Statements

Cash Generating Unit (CGU)

The recoverable amount of the CGU has been determined based on the value in use (VIU) calculation.

Key assumptions used in the VIU calculations

Gross margins

The basis used to determine the value assigned to the budgeted gross margins, is the gross margins achieved in the year preceding the budgeted year adjusted for projected market.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

	Group		Company	
As at 31st March In Rs. '000s	2015	2014	2015	2014
15 INVESTMENT PROPERTY				
At the beginning of the year	85,482	5,040,924	85,482	5,040,924
Change in fair value during the year	8,975	71,796	8,975	71,796
Disposals	-	(5,027,238)	-	(5,027,238)
At the end of the year	94,457	85,482	94,457	85,482
Freehold property	94,457	85,482	94,457	85,482
	94,457	85,482	94,457	85,482

15.1 Valuation details of investment property

Fair value of the Investment Property is ascertained by annual independent valuations carried out by Messrs.' P B Kalugalagedara & Associates - Chartered valuation surveyors as at 31 March 2015, that has recent experience in valuing properties of akin location and category. Investment Property was appraised in accordance with SLAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The Market value has been used as the fair value.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

Property	Land Extent in Perches	Market Value Per Perch 2015 Rs'000s	Market Value Per Perch 2014 Rs'000s
Freehold property			
Ceylon Cold Stores PLC.			
Inner Harbour Road, Trincomalee	169.55	550	500

As at 31st March In Rs.'000s	Number of shares(000')	Group 2015	Group 2014	Company 2015	Company 2014
16 INVESTMENT IN SUBSIDIARY					
16.1 Carrying value					
Unquoted ordinary shares	202,238	-	-	1,022,892	1,022,892
Jaykay Marketing Services (Pvt) Ltd					
Unquoted preference shares*					
Jaykay Marketing Services (Pvt) Ltd	80,000	-	-	200,000	200,000
	-		-	1,222,892	1,222,892

*On 17 July 2013 the Company invested a sum of Rs 200,000,000 in 80,000,000, 10% non - cumulative, non voting, redeemable preference shares valued at Rs. 2.50 per share. The date of redemption shall be any time after five (05) years from the date of issue to be determined by the Board of Directors of Jaykay Marketing Services (Pvt) Ltd.

	Number of shares(000')	Group 2015	Group 2014	Company 2015	Company 2014
17 INVESTMENT IN ASSOCIATE					
17.1 Carrying value					
Unquoted ordinary shares					
Waterfront Properties (Pvt) Ltd	539,286				
At beginning of the year		5,262,414	5,392,863	5,392,863	5,392,863
Cumulative (loss)/profit accruing to the Group net of dividend		(17,911)	1,649	-	-
Changes of holding in associate		(94)	-	-	-
Excess share of net assets		-	16,682	-	-
Realised/(unrealised) gain on lease rights forgone		6,293	(148,780)	-	-
Foreign currency translation reserve		111,459	-	-	-
At end of the year		5,362,161	5,262,414	5,392,863	5,392,863

On the 29th of January 2015, the Honourable Prime Minister of Sri Lanka announced in Parliament that the agreements entered into with Waterfront Properties (Pvt) Ltd. (WPL) under the Strategic Development Projects Act will be amended to restrict the ability to rent space for gaming activities.

John Keells Holdings PLC, the Ultimate Parent Company made an announcement to the Colombo Stock Exchange to the effect that whilst this proposed amendment is likely to constrain the ability of the Project to command premium rentals on this component of the Project, the Board of Directors had decided to continue with the Project after considering all known factors and the potential impacts of varying

Notes to the Financial Statements

alternatives. Meanwhile, the loan agreement for the USD 445 million syndicated project development facility with Standard Chartered Bank which was obtained in December 2014 and the related financial models are being amended to reflect the current status and scope of the Project. The Project Company has in place a bridge funding facility from Standard Chartered Bank for USD 100 million which will meet the initial funding requirements of the Project and this will be refinanced with the syndicated project development facility once the amendments are completed.

During the year the Company's holding in WPL came down to 38.97% from 40.69% as a result of the direct investment in the stated capital of WPL by JKH. Also during the period WPL changed its reporting currency to United States Dollars (USD) and WPL Financial Statements has been converted to Sri Lankan Rupees for the purpose of the consolidation. As a result, Group share of the foreign currency translation reserve amounting to Rs. 111,458,832 was recognized in the carrying value of the investment through reserves.

Company

As at 31st March In Rs.'000s	2015	2014
17.2 No of ordinary shares		
At the beginning of the year	539,286	-
Investment	-	539,286
At the end of the year	539,286	539,286

Group

17.3 Summarised financial information of the Associate

Summarised income and expenses of the Associate

For the year ended 31st March In Rs. '000s	2015	2014
Other operating income	-	5,118
Administrative expenses	(56,452)	(2,266)
Finance income	18,574	1,814
Change in fair value of investment property	-	106,975
Income tax expense	(5,092)	(329)
Profit for the year	(42,970)	111,312
Group share of net results	(16,746)	45,295
Adjustments for change in holding	(1,165)	(26,964)
Share of results of equity accounted investees	(17,911)	18,331

As at 31st March In Rs. '000s		
Non-current assets	25,800,964	19,592,123
Currents assets	628,904	430,820
Total assets	26,429,868	20,022,943
Non-current liabilities	(438,440)	-
Currents assets liabilities	(11,866,367)	(6,725,035)
Total liabilities	(12,304,807)	(6,725,035)
Net assets	14,125,061	13,297,908
Group share of net assets	5,504,648	5,411,194
Unrealised profits	(142,487)	(148,780)
Carrying value of investment in Associate under equity method	5,362,161	5,262,414

As at 31st March In Rs.'000s	Note	Group 2015	Group 2014	Company 2015	Company 2014
18 NON-CURRENT FINANCIAL ASSETS					
Loans to executives					
At the beginning of the year		107,545	121,671	70,703	87,974
Loans granted		79,954	42,508	66,892	21,368
Acquisition of Subsidiary		888	-	-	-
Transfers in/(out)		1,130	(12,405)	1,130	(12,342)
Recoveries		(59,650)	(44,229)	(45,074)	(26,297)
At the end of the year		129,867	107,545	93,651	70,703
Receivable within one year		37,077	31,222	29,134	23,650
Receivable between one and five years		92,790	76,323	64,517	47,053
		129,867	107,545	93,651	70,703
19 OTHER NON-CURRENT ASSETS					
Prepaid staff cost		21,709	22,618	14,979	14,652
Rent deposits		185,889	165,703	-	-
Prepaid rent		79,762	96,251	-	-
		287,360	284,572	14,979	14,652

Prepaid staff cost represent the prepaid portion of the loans granted to the staff

20 INVENTORIES					
Raw materials		285,105	205,585	285,105	205,585
Work-in-progress		17,049	34,526	17,049	34,526
Finished goods and retail goods		1,933,430	1,665,800	223,713	156,285
Machinery spares		115,183	123,283	115,183	123,283
Other stocks		32,063	36,197	6,514	8,997
		2,382,830	2,065,391	647,564	528,676
21 TRADE AND OTHER RECEIVABLES					
Trade and other receivables		1,444,011	1,316,794	1,224,473	1,058,788
Loans to executives	18.2	37,077	31,222	29,134	23,650
		1,481,088	1,348,016	1,253,607	1,082,438
22 OTHER CURRENT ASSETS					
Prepayments and non cash receivable		253,509	151,099	113,039	62,887
		253,509	151,099	113,039	62,887
23 SHORT TERM INVESTMENTS					
Government securities (less than 3 months)		730,256	181,245	730,256	181,245

Notes to the Financial Statements

As at 31st March In Rs.'000s	2015 Number of shares	2015 Value of shares Rs.	2014 Number of shares	2014 Value of shares Rs.
24 STATED CAPITAL				
Fully paid ordinary shares	95,040	918,000	95,040	918,000
Fully paid preference shares	25	200	25	200
		918,200		918,200
Fully paid ordinary shares				
At the beginning of the year	95,040	918,000	95,040	918,000
At the end of the year	95,040	918,000	95,040	918,000
Fully paid preference shares				
At the beginning of the year	25	200	25	200
At the end of the year	25	200	25	200

	Group 2015	Group 2014	Company 2015	Company 2014
25 REVENUE RESERVES				
General Reserves	646,000	646,000	646,000	646,000
Retained Earnings	8,117,741	7,640,317	8,240,028	8,092,803
	8,763,741	8,286,317	8,886,028	8,738,803

	Group 2015	Group 2014	Company 2015	Company 2014
26 OTHER COMPONENTS OF EQUITY				
Revaluation reserve on				
Land	566,162	566,162	566,162	566,162
Building	192,259	190,640	185,841	185,841
	758,421	756,802	752,003	752,003
Employee share option plan reserve	104,515	38,897	62,415	23,362
Foreign currency translation reserve	111,459	-	-	-
	974,395	795,699	814,418	775,365

26.1 Revaluation reserve consists of the surplus on the revaluation of land and buildings net of deferred tax effect and the surplus on the transferred land and buildings to investment property.

27 SHARE-BASED PAYMENT PLANS

Employee Share Option Scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to senior executives of the Group with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

The expense recognised for employee services received during the year is shown in the following table:

As at 31st March	Group		Company	
In Rs.'000s	2015	2014	2015	2014
At the beginning of the year	38,897	-	23,362	-
Expense arising from equity-settled share-based payment transactions	65,618	38,897	39,053	23,362
At the end of the year	104,515	38,897	62,415	23,362

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Group		Company	
	2015 No.	2015 WAEP	2015 No.	2015 WAEP
Outstanding at 1 April	1,268,191	253.16	742,150	253.16
Granted during the year	1,429,391	229.93	890,906	229.93
Adjustment	(145,667)	241.63	(145,667)	241.63
Expired during the year	(32,644)	242.25	-	-
Outstanding at 31 March	2,519,271	240.16	1,487,389	240.16
Exercisable at the end of the year	317,048	253.16	185,538	253.16

Fair value of the share option and assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected volatility of share price, expected dividend yield and risk free interest rate.

	Group		Company	
	2015	2014	2015	2014
28 BORROWINGS				
28.1 External				
At the beginning of the year	324,935	464,533	324,935	464,533
Repayments	(139,598)	(139,598)	(139,598)	(139,598)
At the end of the year	185,337	324,935	185,337	324,935
Repayable within one year	101,264	139,598	101,264	139,598
Repayable between one and five years	84,073	185,337	84,073	185,337
	185,337	324,935	185,337	324,935

Notes to the Financial Statements

As at 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
28.2 Related Parties				
At the beginning of the year	-	93,000	-	-
Repayments	-	(93,000)	-	-
At the end of the year	-	-	-	-
28.3 Total Borrowings				
Borrowings under non-current liabilities	84,073	185,337	84,073	185,337
Current portion of the borrowings	101,264	139,598	101,264	139,598
	185,337	324,935	185,337	324,935

28.4

Company	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2015 Rs.	2014 Rs.
Ceylon Cold Stores PLC.						
	DFCC	Project loan Rs. 230 Mn	AWPLR -0.5%, Kaduwela land, building and machinery	48 monthly instalment commencing August 2011	19,166	76,667
	DFCC	Project loan Rs. 250 Mn	AWDR +2.5%, Kaduwela land, building and machinery	60 equal monthly instalment commencing January 2012	91,171	143,268
	DFCC	Project loan Rs. 150 Mn	AWPR + 2.25%, Kaduwela land, building and machinery	60 monthly instalment commencing October 2012	75,000	105,000
					185,337	324,935

	Group Assets 2015	Group Assets 2014	Group Liabilities 2015	Group Liabilities 2014	Company Liabilities 2015	Company Liabilities 2014
29 DEFERRED TAX						
At the beginning of the year	(37,140)	(92,403)	439,033	318,307	439,033	318,307
Charge	37,266	55,263	120,710	120,726	68,740	120,726
Acquisition of Subsidiary	(126)	-	-	-	-	-
Deferred tax on impairment	-	-	(527)	-	-	-
Tax on other comprehensive income	-	-	6,540	-	6,229	-
At the end of the year	-	(37,140)	565,756	439,033	514,002	439,033
The closing deferred tax asset and liability balances relate to the following;						
Accelerated depreciation for tax purposes	-	203,567	853,668	520,988	596,526	520,988
Employee benefit liability	-	(19,241)	(103,634)	(81,955)	(82,524)	(81,955)
Losses available for offset against future taxable income	-	(221,466)	(184,278)	-	-	-
	-	(37,140)	565,756	439,033	514,002	439,033

	Group 2015	Group 2014	Company 2015	Company 2014
30 EMPLOYEE BENEFIT LIABILITIES				
At the beginning of the year	365,385	324,768	296,667	260,181
Current service cost	22,911	22,206	15,889	16,161
Interest cost on benefit obligation	40,358	35,724	32,633	28,619
	63,269	57,930	48,522	44,781
Transfers in/(out)	98	(10,576)	200	(10,576)
Acquisition of Subsidiary	332	-	-	-
Payments	(33,240)	(27,659)	(24,607)	(20,611)
(Gain)/loss arising from changes in assumptions	(19,486)	20,922	(22,510)	22,893
At the end of the year	376,358	365,385	298,272	296,667
The expenses are recognised in the income statement in the following line items;				
Cost of sales	46,092	40,178	31,402	27,824
Selling and distribution expenses	6,857	9,254	6,857	9,254
Administrative expenses	10,320	8,498	10,263	7,703
	63,269	57,930	48,522	44,781

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd.

The principal assumptions used in determining the cost of employee benefits were:

	Group 2015	Group 2014	Company 2015	Company 2014
Discount rate	10%	11%	10%	11%
Future salary increases				
Executives	8%	10%	8%	10%
Non Executives	6% - 8%	7.5% - 10%	6%	7.5%
Retirement Age;				
Executive Staff	55 Years	55 Years	55 Years	55 Years
Clerical and Labour Staff	55-60 Years	55-60 Years	55-60 Years	55-60 Years
Sales Representatives	55 Years	55 Years	55 Years	55 Years

Notes to the Financial Statements

As at 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
Sensitivity of assumptions used				
If a one percentage point change in the assumed discount rate would have the following effects:				
Effect on the employee benefit liability				
Increase in one percentage point	(15,687)	(14,430)	(14,335)	(13,714)
Decrease in one percentage point	17,181	15,783	15,761	15,045
If a one percentage point change in the assumed salary increase rate would have the following effects:				
Effect on the employee benefit liability				
Increase in one percentage point	18,680	17,154	16,911	16,113
Decrease in one percentage point	(17,315)	(15,936)	(15,599)	(14,907)
Maturity analysis of the payments				
The following payments are expected on employee benefit liabilities in future years				
Within the next 12 months	77,516	89,559	40,481	44,973
Between 1 and 5 years	181,383	161,331	157,046	141,915
Between 5 and 10 years	75,260	77,757	59,149	73,043
Beyond 10 years	42,199	36,738	41,596	36,736
Total expected payments	376,358	365,385	298,272	296,667

The average duration of defined benefit obligation at the end of reporting period is 5.54 years

	Group 2015	Group 2014	Company 2015	Company 2014
31 OTHER NON-CURRENT LIABILITIES				
Deposits with the Company	118,440	143,084	118,440	143,084
	118,440	143,084	118,440	143,084
At the beginning of the year	143,084	198,412	143,084	198,412
Net Deposits received during the year	3,594	(13,965)	3,594	(13,965)
Reversal during the year*	(28,238)	(41,363)	(28,238)	(41,363)
	118,440	143,084	118,440	143,084

*At end of each reporting date the Company evaluates the deposits liability based on a mathematical formula that was derived from a detailed analysis carried out during the financial year ended 31st March 2012. Any Difference between the calculated liability and the book balance is transferred to the Income Statement. Further gain or loss arising from the forfeiture of deposits due to termination of distributorship is also transferred to the Income Statement

As at 31st March	Group		Company	
In Rs.'000s	2015	2014	2015	2014
32 OTHER DEFERRED LIABILITIES				
At the beginning of the year	20,464	15,230	-	-
Addition during the year	4,444	5,234	-	-
At the end of the year	24,908	20,464	-	-

Operating lease agreements of the Subsidiary have been negotiated at reduced rates during initial period of the agreements. Such reduced rates need to be spread on a straight line basis over the tenure of the lease. Accordingly Rs 4.4 Mn (2014 - Rs. 5.2 Mn) has been charged under Cost of Sales.

	Group		Company	
	2015	2014	2015	2014
33 TRADE AND OTHER PAYABLES				
Trade payables	2,215,412	2,002,749	244,528	269,194
Accrued Expenses	367,838	321,759	210,017	205,841
Sundry creditors	537,252	242,456	190,457	162,537
	3,120,502	2,566,964	645,002	637,572

	Group				Company	
	Recoverable		Liabilities		Liabilities	
	2015	2014	2015	2014	2015	2014
34 INCOME TAX						
At the beginning of the year	110,674	103,377	34,619	54,387	34,166	53,934
Charge for the year	-	-	463,194	118,655	383,265	118,655
Acquisition of Subsidiary	-	-	2,942			
Written off during the year	-	(27,621)	-	-	-	-
Payments	-	40,124	(96,605)	(136,834)	(93,315)	(136,834)
Set-off against tax	(69,292)	-	(69,292)	-		
Tax credits	-	(5,206)	(4,857)	(1,589)	(2,922)	(1,589)
At the end of the year	41,382	110,674	330,001	34,619	321,194	34,166

	Group 2015	Group 2014	Company 2015	Company 2014
35 OTHER CURRENT LIABILITIES				
Other taxes payable	371,001	367,037	328,160	319,170
Other payables	96,464	93,873	-	-
	467,465	460,910	328,160	319,170

Notes to the Financial Statements

36 RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of business with the following related entities.

	Group		Company	
As at 31st March In Rs. '000s	2015	2014	2015	2014
36.1 Amounts due from related parties				
Parent	130	-	74	-
Subsidiary	-	-	29,720	44,493
Companies under common control	6,943	3,928	4,800	4,561
	7,073	3,928	34,594	49,054
36.2 Amounts due to related parties				
Parent	12,150	8,301	5,340	4,512
Companies under common control	114,261	107,493	2,759	8,502
	126,411	115,794	8,099	13,014

	Group		Company	
	2015	2014	2015	2014
36.3 Amounts Due from Related Parties				
Ultimate Parent				
John Keells Holdings PLC.	130	-	74	-
Subsidiary				
Jaykay Marketing Services (Pvt) Ltd.	-	-	29,720	44,493
Companies Under Common Control				
Asian Hotels and Properties PLC.	-	764	196	764
Beruwala Holiday Resorts (Pvt) Ltd.	296	284	215	248
Ceylon Holiday Resorts (Pvt) Ltd.	258	187	217	187
Habarana Lodge Ltd.	156	96	156	91
Habarana Walk Inn Ltd.	92	70	71	69
Hikkaduwa Holiday Resorts (Pvt) Ltd.	110	83	110	83
JK Properties Ja-Ela (Pvt) Ltd.	-	1,461	-	-
John Keells Ltd.	1	1	-	-
John Keells Office Automation (Pvt) Ltd.	16	-	-	-
Kandy Walk Inn Ltd.	70	100	70	88
Keells Food Products PLC.	3,734	-	3,294	2,590
Lanka Marine Services Ltd.	-	46	-	-
Mack Air (Pvt) Ltd.	-	99	-	-
Sancity Hotels and Properties Ltd.	40	28	40	28
Trans Asia Hotel PLC.	229	88	229	314
Trinco Holiday Resorts (Pvt) Ltd.	105	56	102	52
Union Assurance PLC.	1,736	515	-	-
Yala Village (Pvt) Ltd.	100	50	100	47
	7,073	3,928	34,594	49,054

As at 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
36.4 Amounts Due to Related Parties				
Ultimate Parent				
John Keells Holdings PLC.	12,150	8,301	5,340	4,512
Companies Under Common Control				
Asian Hotels & Properties PLC.	843	-	-	-
DHL Keells (Pvt) Ltd.	333	131	376	324
Infomate (Pvt) Ltd.	1,540	1,599	88	287
John Keells Logistics (Pvt) Ltd.	19,683	18,336	-	407
John Keells Office Automation (Pvt) Ltd.	-	1,262	45	864
John Keells Properties (Pvt) Ltd.	661	-	-	-
John Keells PLC.	1	-	1	-
Keells Consultants (Pvt) Ltd.	230	46	56	36
Keells Food Products PLC.	83,833	73,105	-	-
Mackinnons Travels (Pvt) Ltd.	647	47	175	47
NDO Lanka (Pvt) Ltd.	908	4,513	908	4,513
Union Assurance PLC.	47	-	44	-
Nexus Network (Pvt) Ltd.	-	5,473	-	-
Walkers Tours Limited.	10	-	10	
Whittall Boustead (Pvt) Ltd.	5,525	2,981	1,056	2,024
	126,411	115,794	8,099	13,014

For the year ended 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
36.5 Transactions with related parties				
Ultimate Parent				
Sale of Goods	754	1,155	-	-
(Receiving) / Rendering of services	(87,559)	(81,963)	(44,302)	(45,238)
Subsidiary				
(Purchases) / Sales of goods	-	-	316,856	295,425
(Receiving) / Rendering of services	-	-	(13,373)	(8,861)
Associate				
Investment in ordinary shares	-	5,392,863	-	5,392,863
Companies under common control				
(Purchases) / Sales of goods	(537,202)	(462,637)	28,086	23,661
(Receiving) / Rendering of services	(314,236)	(320,199)	(4,596)	(1,360)
Interest paid	-	(3,397)	-	-
Transactions with related parties - Associates of the Ultimate Parent				
(Purchases) / Sales of goods	431	28	431	28
Post employment benefit plan				
Contributions to the provident fund	(90,647)	(88,097)	(83,616)	(80,038)

Notes to the Financial Statements

For the year ended 31st March In Rs.'000s	Group 2015	Group 2014	Company 2015	Company 2014
36.6 Transactions with related parties - Associates of the ultimate parent				
Nations Trust Bank PLC.				
Interest received / (Interest paid)	876	2,256	587	2,225
Interest bearing deposits	21,217	156,233	21,217	156,233

36.7 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

36.8 Compensation of key management personnel

Key management personnel include members of the Board of Directors of the Group.

	Group 2015	Group 2014	Company 2015	Company 2014
Short-term employee benefits	66,294	62,303	33,212	31,154
Share based payment	28,762	-	14,381	-
	95,056	62,303	47,593	31,154

37 CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the reporting period.

38 CAPITAL AND OTHER COMMITMENTS

Capital Commitments approved and contracted but not provided for as at the reporting date is Rs. 260 Mn (2014- Rs. 194 Mn).

	Group 2015	Group 2014	Company 2015	Company 2014
39 LEASE COMMITMENTS				
Lease rentals due on non-cancellable operating leases;				
Within one year	43,822	43,706	34,669	33,018
Between one and five years	188,339	156,880	156,899	149,427
After five years	138,998	101,374	59,234	101,374
	371,159	301,960	250,802	283,819

39.1

Group	Details of leases	Leased properties
Ceylon Cold Stores PLC.	CISCO Speciality Packaging (Pvt) Ltd	Pet Bottle Plant
Jaykay Marketing Services (Pvt) Ltd	385, Negombo Road, Wattala	Building
	388, Galle Road, Mount Lavinia	Building

40 BUSINESS COMBINATION

On 25th August 2014, Jaykay Marketing Services (Pvt) Ltd (JMSL) a fully owned Subsidiary of Ceylon Cold Stores PLC, acquired 10,000 fully paid ordinary shares of Nexus Networks (Pvt) Ltd (NNL), which represented 100% of NNL's issued share capital, from the Ultimate Parent Company, namely John Keells Holdings PLC, for a purchase consideration of Rs. 48,000,000. The following table summarises the consideration paid for NNL, value of assets acquired, liabilities assumed at the acquisition date.

In Rs.'000s	
Assets	
Cash and cash equivalents	190,260
Property, plant and equipment	319
Intangible Assets	78
Non-current financial assets	888
Deferred tax asset	126
Other non-current assets	64
Inventories	6,263
Trade and other receivables	11,238
Amounts due from related parties	6,499
Other current assets	2,443
Total assets	218,178
Liabilities	
Employee benefit liabilities	(332)
Trade and other payables	(176,550)
Amounts due to related parties	(5,889)
Income tax liabilities	(2,942)
Other current liabilities	(1,091)
Total liabilities	(186,804)
Total Net assets acquired in business combination	31,374
Net consideration paid	16,626
Consideration paid	48,000
Cash and cash equivalents acquired	190,260
Acquisition of Subsidiary (net of cash acquired)	142,260

NNL was amalgamated with JMSL, in accordance with provisions of the Companies Act, No. 07 of 2007 (the "Act") with effect from 19 February 2015. Accordingly, NNL ceased to exist and was removed from the Register by the Registrar General of Companies and all the assets, rights, liabilities and obligations of NNL were succeeded by JMSL in accordance with the Act.

Notes to the Financial Statements

41 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after reporting period that required adjustment to or disclosure to the Financial Statements other than following:

Super Gains Tax

An imposition of a Super Gains Tax has been recommended for the approval of Parliament per a Bill dated 27th March 2015. Since the Bill had not been approved by the Parliament as at the reporting date, being 31st March 2015, the Group has not provided for the potential liability in the Financial Statements for the year ended 31 March 2015.

Dividends

As required by section 56(2) of the Companies Act, No . 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act, No 7 of 2007, and has obtained a certificate from the Auditors, prior to approving a first and final dividend of Rs. 6.00 per share and to be paid on 29th May 2015.

Your Share in Detail

Ordinary Shareholding

Numbers of Ordinary Shares 95,040,000

Distribution of Shareholders

Shareholding Range	31st March 2015 No. of Shareholders	No. of Shares Held	%	31st March 2014 No. of Shareholders	No. of Shares Held	%
Less than or equal to 1,000	1,148	318,911	0.34	1,261	358,917	0.38
1,001 to 10,000	482	1,870,336	1.97	522	1,992,895	2.10
10,001 to 100,000	247	7,136,114	7.51	265	7,738,627	8.14
100,001 to 1,000,000	21	4,638,307	4.88	22	4,477,125	4.71
Over 1,000,000	4	81,076,332	85.30	4	80,472,436	84.67
	1,902	95,040,000	100.00	2,074	95,040,000	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares Held	%	No. of Shareholders	No. of Shares Held	%
John Keells Holdings and Subsidiaries	3	77,321,204	81.36	3	77,321,204	81.36
Others	1,899	17,718,796	18.64	2,071	17,718,796	18.64
Total	1,902	95,040,000	100.00	2,074	95,040,000	100.00
Sri-Lankan Residents	1,773	87,472,883	92.04	1,942	89,306,064	93.97
Non-Residents	129	7,567,117	7.96	132	5,733,936	6.03
Total	1,902	95,040,000	100.00	2,074	95,040,000	100.00
John Keells Holdings & Subsidiaries	3	77,321,204	81.36	3	77,321,204	81.36
Director's and Spouses	7	135,052	0.14	7	135,052	0.14
Shareholders holding more than 10%	-	-		-	-	-
Public	1,892	17,583,744	18.50	2,064	17,583,744	18.50
	1,902	95,040,000	100.00	2,074	95,040,000	100.00

Percentage of shares held by the Public as at 31st March 2015 is 18.50%

Your Share in Detail

Top 20 Shareholders

As at 31st March	2015 No. of Shares Held	2015 % of Issued Capital	2014 No. of Shares Held	2014 % of Issued Capital
John Keells Holdings PLC	67,109,128	70.61	67,109,128	70.61
Whittal Boustead (Pvt) Ltd	10,165,392	10.70	10,165,392	10.70
GF Capital Global Limited	2,025,241	2.13	1,979,516	2.08
Pershing LLC S/A Chambers Street Global Fund	1,776,571	1.87	137,999	0.15
A N Sethna	789,696	0.83	789,696	0.83
Asha Investments Ltd	396,704	0.42	396,704	0.42
HSBC International Nominees Ltd - Deustche Bank	350,000	0.37	370,280	0.39
Employees Provident Fund	308,884	0.33	1,218,400	1.28
Life Insurance Corporation of India	272,912	0.29	272,912	0.29
Sisira Investors Limited	259,132	0.27	259,132	0.27
People's Leasing & Finance PLC/C.D.Kohombanwickramage	258,000	0.27	-	-
E.W Balasooriya & Co (Pvt) Ltd	202,834	0.21	202,834	0.21
HSBC Intl Nom Ltd-JPMCB-T.Rowe Price Institutional Frontier Market Equity Fund	193,498	0.20	-	-
M.Radhakrishnan	169,256	0.18	169,256	0.18
J.R.Printers (Decd)	167,936	0.18	167,936	0.18
Merrill J.Fernando & Sons (Pvt) Ltd	150,848	0.16	150,848	0.16
Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd	140,405	0.15	94,724	0.10
M V Theagarajah	133,548	0.14	133,548	0.14
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	128,682	0.14	128,682	0.14
M.A.Lukmanjee	128,600	0.14	141,590	0.15

As at 31st March	2015		2014	
Share Prices - (Rs.)				
Beginning of the year	140.70		135.90	
Highest for year	300.00	(28.02.2015)	183.00	(20.06.2013)
Lowest for year	141.00	(01.04.2014)	113.00	(06.09.2013)
As at 31st March	298.20		140.70	

Decade at a Glance

Year ended 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Group	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000
Trading results										
Gross revenue	30,968,590	26,330,083	23,788,855	21,165,811	17,658,598	15,322,957	13,631,168	10,960,073	9,277,671	7,290,257
Profit from operating activities	2,160,444	1,541,245	1,003,999	1,511,692	572,776	541,864	460,951	450,948	555,230	370,323
Profit before taxation	2,146,665	1,545,188	2,200,654	2,541,860	482,982	420,151	268,345	269,358	469,474	305,315
Taxation	(621,170)	(327,471)	(345,051)	(306,407)	(283,446)	(191,277)	(128,731)	(93,432)	(192,490)	(104,256)
Profit after taxation	1,525,495	1,217,717	1,855,603	2,235,453	199,536	228,874	139,614	175,926	276,984	201,059
As at 31 March										
Assets, equity and liabilities										
Fixed assets	5,365,259	5,446,846	5,180,158	4,071,521	3,689,511	3,848,218	4,070,987	4,073,966	2,800,353	2,096,472
Investment property	94,457	85,482	5,040,924	3,765,855	2,582,195	-	-	-	-	-
Investment	5,362,161	5,262,414	-	-	-	-	3,100	3,100	3,100	3,100
Non-current assets	532,745	560,011	555,780	286,709	287,134	115,006	115,006	140,196	138,525	115,006
Total non-current assets	11,354,622	11,354,753	10,776,862	8,124,085	6,558,840	3,963,224	4,189,093	4,217,262	2,941,978	2,214,578
Net current assets	471,250	(201,234)	(419,723)	98,983	(1,240,142)	(653,948)	(719,546)	(682,367)	(350,684)	(272,390)
	11,825,872	11,153,519	10,357,139	8,223,068	5,318,698	3,309,276	3,469,547	3,534,895	2,591,294	1,942,188
Long term loans	84,073	185,337	324,935	283,443	316,769	200,817	380,300	421,830	373,890	73,583
Deferred liabilities	1,085,463	967,966	856,717	655,703	553,288	471,118	594,366	736,184	627,156	488,371
Net assets	10,656,336	10,000,216	9,175,487	7,283,922	4,448,641	2,637,341	2,494,881	2,376,881	1,590,248	1,380,234
Represented by										
Stated capital	918,200	918,200	918,200	918,200	270,200	270,200	270,200	270,200	270,200	270,200
Capital reserves	974395	795,699	3,252,326	2,900,278	2,853,957	1,155,779	1,155,779	1,155,779	475,938	490,970
General reserve	646,000	646,000	646,000	646,000	646,000	646,000	646,000	646,000	646,000	668,742
Retained profits	8,117,741	7,640,317	4,358,961	2,819,444	678,484	565,362	422,902	304,902	198,110	(49,678)
Shareholder's funds	10,656,336	10,000,216	9,175,487	7,283,922	4,448,641	2,637,341	2,494,881	2,376,881	1,590,248	1,380,234

Key Figures and Ratios

Ratios & other information - Group

Year ended 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Earnings per Share (Rs.)	16.05	12.81	19.52	23.66	2.11	2.42	1.48	1.86	2.93	2.13
Dividend per Share (Rs.) - Paid	11.00	4.00	4.00	4.00	4.00	4.00	1.00	3.20	2.40	0.80
Dividend Payout (%)	68.53	31.22	20.49	16.91	43.31	37.76	15.48	39.30	18.72	8.59
Dividend Yield (%)	3.69	2.84	2.94	4.44	2.33	10.17	6.29	10.76	6.90	2.27
Market Value per Share (Rs.)	298.20	140.70	135.90	90.00	750.60	172.00	69.50	130.00	152.00	154.00
Price Earnings Ratio (No. of Times)	18.58	10.98	6.96	3.80	81.25	16.23	10.76	15.97	11.86	16.52
Net Asset per Share (Rs.)	112.12	105.22	96.54	76.64	46.81	27.75	26.25	25.01	16.73	14.52
Return on Total Assets (%)	9.51	8.00	13.86	20.70	2.47	3.56	2.22	3.27	7.07	6.50
Return on Equity (%)	14.62	9.69	22.55	38.11	4.49	8.68	5.73	8.87	17.42	15.64
Earnings Yield (%)	5.38	9.11	14.37	26.29	1.23	6.16	9.29	6.26	8.43	6.05
Interest Cover (No. of Times)	35.59	11.06	9.93	16.53	6.38	4.45	2.39	2.48	6.47	5.70
Debt / Equity Ratio (%)	6.65	14.50	16.68	18.11	46.37	36.98	59.62	68.78	81.77	49.64
Current Ratio (No. of Times)	1.10	0.95	0.91	1.03	0.71	0.79	0.76	0.74	0.83	0.79

Group Real Estate Portfolio

Owning Company & Location	No of Buildings	Buildings in (Sq. Ft)	Freehold Land in Acres	Leasehold Land in Acres
Ceylon Cold Stores PLC				
Kaduwela	15	312,042	27.35	-
Trincomalee	3	23,840	1.14	-
Jaykay Marketing Services (Pvt) Ltd				
385, Negombo Road, Wattala	1	12,820	-	0.30
388, Galle Road, Mount Lavinia	1	6,500	-	0.24

Glossary of Financial Terminology

Accrual Basis

Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Contingent Liabilities

A condition or situation existing at the end of the reporting period due to past events, where the financial effect is not recognized because:

1. The obligation is crystallized by the occurrence or non occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

Current Ratio

Current Assets divided by Current Liabilities.

Debt / Equity Ratio

Debt as a percentage of Shareholders' Funds.

Dividends per Share - Paid

Dividends Gross (Ordinary) paid divided by Number of Ordinary Shares issued.

Dividend Cover

Earnings per share divided by dividend per share.

Dividend Payout Ratio

Total Dividend as a percentage of Company profits .

Dividend Yield

Dividend per Shares as a percentage of share price at the end of the period.

Earnings Per Share (EPS)

Consolidated profit after tax and Preference Dividends before Extraordinary items divided by weighted average number of shares in issue during the period.

Earnings Yield

Earnings per Share as a percentage of Market Price per Share at the end of the period.

Effective Rate of Taxation

Income Tax including Deferred tax over Profit before Tax.

Interest Cover

Profit on Operating Activities over Finance Expenses. (Gains from lease rights forgone is excluded from profit on operating activities.)

Market Capitalization

Number of Shares in issue at the end the of period multiplied by the share price at end of the period.

Net Assets

Total Assets - Current Liabilities - Long Term Liabilities - Minority interest.

Net Asset per Share

Net Assets divided by number of ordinary shares in issue at the end of the period.

Net Debt

Debt - (Cash + Short Term Deposits)

Net Turnover per Employee

Net Turnover divided by average number of employees.

Price Earnings Ratio

Market Price of share as at year end divided by Earnings per Share.

Quick Ratio

Cash + Short Term Investments + Trade and Other Receivables, divided by Current Liabilities.

Return on Assets

Profit After Tax divided by Average Total Assets.

Return on Equity

Consolidated Profit after Tax and Minority interest as a Percentage of Average Shareholders' Funds.

Return on Capital Employed

Earnings before interest and tax less non-recurrent income/ expense as a % of average of shareholders' funds + total debt.

Shareholders' Funds

Total of issued and fully paid share Capital, Capital Reserves and Revenue Reserves.

Total Assets

Fixed Assets + Investments + Non Current Assets + Current Assets.

Total Debt

Long Term Loans plus short Term Loans and Overdraft.

Total Debt / Total Assets

Total Debt divided by Total Assets.

Total Value Added

The difference between revenue after adjusting for other income minus, expenses and the cost of materials and services from external sources.

Notice of Meeting

Notice is hereby given that the

118th

The Annual General Meeting of Ceylon Cold Stores PLC will be held at the John Keells Holdings PLC Auditorium at 186 Vauxhall Street, Colombo 2 on Thursday, 18th June 2015 at 10.00 a.m.

The business to be brought before the meeting will be:

- To read the Notice convening the meeting
- To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the Year Ended 31st March 2015 with the Report of the Auditors thereon.
- To re-elect as Director, Prof. U P Liyanage who retires by rotation in terms of Article 84 of the Articles of Association of the Company. A brief profile of Prof. U P Liyanage is contained in the Board of Directors section of the Annual Report.
- To re-elect as Director, Mr A R Rasiah who retires by rotation in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr A R Rasiah is contained in the Board of Directors section of the Annual Report.
- To elect as Director, Mr M. Hamza who retires in terms of Article 91of the Articles of Association of the Company. A brief profile of Mr M. Hamza is contained in the Board of Directors section of the Annual Report.
- To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2015/16 and to authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board
Ceylon Cold Stores PLC

Keells Consultants (Private) Limited.
Secretaries

Colombo
26th May 2015

Note

- A shareholder unable to attend is entitled to appoint a proxy to attend and vote in his/her place.
- A proxy need not be a member of the Company.
- A shareholder wishing to vote by proxy at the meeting may use the proxy form enclosed
- To be valid, the completed proxy form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
- If a poll is demanded, a vote can be taken on a show of hands or by poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual shareholder and his/her proxy holder are both present at the meeting, only the shareholder's vote will be counted. If proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner of vote will be used.

Form of Proxy

I/We……………………………………………………………………………..……………………………..…………………………..of

……………………………………………………………………………..…………………………...………………………being a

shareholder/s of Ceylon Cold Stores PLC hereby appoint

……………………………………………………………………………..…………………………...…………………………… of

……………………………………………………………...……………………………...…………………………… or failing him/her

Mr. Susantha Chaminda Ratnayake of Colombo	or failing him
Mr. Ajit Damon Gunewardene of Colombo	or failing him
Mr. James Ronnie Felitus Peiris of Colombo	or failing him
Mr. Jitendra Romesh Gunaratne of Colombo	or failing him
Mr. Prasanna Sujeewa Jayawardena PC of Colombo	or failing him
Professor. Uditha Pilane Liyanage of Colombo	or failing him
Mr. Albert Rasakantha Rasiah of Colombo	or failing him
Mr . Muhammed Hamza of Colombo	

as my/our proxy to vote for me/us on my/our behalf at the 118 th Annual General Meeting of the Company to be held at 10.00 a.m on the 18th June 2015 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as Director, Professor. Uditha Pilane Liyanage , who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as Director, Mr. Albert Rasakantha Rasiah , who retires in terms of Article 84 of the Articles of Association of the Company.		
To elect as Director, Mr Muhammed Hamza , who retires in terms of Article 91 of the Articles of Association of the Company.		
To re-appoint Auditors and to authorise the Directors to determine their remuneration.		

Signed this ………………………day of …………….. Two Thousand and Fifteen(2015)

…………………………………

Signature/s of shareholder/s

Note:

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY ARE NOTED ON THE REVERSE

INSTRUCTIONS AS TO COMPLETION

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, not later than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : ....

Address : ....

....

....

Jointly with : ....

Share Folio No. : ....

Notes

Notes

GRI-G4
G4-03
G4-05
G4-07
G4-17
G4-31

Corporate Information

Name of Company

Ceylon Cold Stores PLC

Legal Form

Public Limited Liability Company
Established in 1866 as Colombo Ice Company Limited
Name changed to Ceylon Cold Stores Limited in 1941
Quoted in the Colombo Stock Exchange in January 1970
Registered under Companies Act No.7 of 2007 on new Company No. PQ4

Registered Office of the Company

No. 117, Sir Chittampalam A. Gardiner Mawatha,
Colombo 02. Sri Lanka.
Tel : +94 11 2318798
Fax : +94 11 2447422
E-mail : info.ccs@keells.com
Web : www.elephanthouse.lk

Kaduwela Factory

Samadaragahawatte, Ranala
Tel: +94 11 4414500
Fax : +94 11 2415435

Customer Call Centre

Tel: +94 11 2303800

Board of Directors

Mr. S C Ratnayake (Chairman)
Mr. A D Gunewardene
Mr. J R F Peiris
Mr. J R Gunaratne
Mr. A R Rasiah
Mr. P S Jayawardena, PC
Prof. U P Liyanage
Mr. M Hamza

Audit Committee

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

Secretaries and Registrars

Keells Consultants (Private) Limited
No. 117, Sir Chittampalam A Gardiner Mawatha,
Colombo 02.
Sri Lanka

Auditors

Ernst & Young,
Chartered Accountants,
201, De Saram Place,
P.O.Box 101,
Colombo 10.
Sri Lanka

Bankers

Commercial Bank of Ceylon PLC
Deutsche Bank AG.
Hongkong & Shanghai Banking Corporation Ltd.
Nations Trust Bank PLC
Standard Chartered Bank
DFCC Bank

Subsidiary Company

Jaykay Marketing Services (Private) Ltd.

Associate Company

Waterfront Properties (Private) Ltd.

Designed & produced by
emagewise
Printed by Printel (Pvt) Ltd
Photography by Taprobane Street

www.elephanthouse.lk