PROACTIVE

KEELLS KREST

Keells Food Products PLC

Annual Report 2023/24

Read the Keells Food Products PLC
Annual Report 2023/24
https://www.keellsfoods.com/investor-relations/#financial-reports

PROACTIVE

Our steadfast commitment to being proactive has been a driving factor in our ongoing pursuit of excellence, fostering a reputation for reliability and consolidating our position as the leading presence in our industry.

Navigating through the economic uncertainties of the year that was, we adeptly manoeuvred through numerous challenges with skill and confidence thereby retaining our competitive edge in the market. Through our proactive approach, we prioritised the needs of our consumer, offering them the best products at affordable prices while focusing inwards on operational excellence and continuous improvement.

We remain confident that we will continue to drive growth and create enduring value for our stakeholders with pro-activity as our cornerstone. As we forge ahead, being proactive will remain a central priority, ensuring we are nimble in adapting to change and remain strong to lead the way forward, shaping a future that's prosperous and sustainable and responsive to the evolving needs of our stakeholders.

KEELLS KREST

CONTENTS

READ THE KEELLS FOOD PRODUCTS PLC
Annual Report 2023/24
https://www.keellsfoods.com/investor-relations/#financial-reports

ABOUT US

Vision

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

Values

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

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

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

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

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

KEELLS KREST

KEELLS FOOD PRODUCTS PLC

Established in 1982, Keells Food Products PLC (KFP) is the pioneer in processed meat manufacturing in Sri Lanka with 42 years of experience. As the market leader in the processed meat industry, KFP is renowned for its quality, backed by stringent quality controls and its range of nutritious, tasty and convenient products developed in house and manufactured using state of the art food processing facilities.

Our product portfolio of 200+ products reach customers through 29,000+ retail outlets and we take extensive measures to ensure the right product is available at the right time at the right price to satisfy customer needs.

ABOUT OUR ANNUAL REPORT

We are pleased to present Keells Food Product PLC's integrated Annual Report for the financial year ended 31st March 2024. This report is presented to provide a concise and balanced overview of our strategy, governance structure and performance in light of emerging opportunities and risks. The report gives our stakeholder groups pertinent information and demonstrates how resources were distributed to create value for their benefit in the short, medium and long term.

Basis of Preparation

Reporting Entity

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

Standards and Principles

- Sri Lanka Accounting Standards issued by CA Sri Lanka
- Companies Act No. 7 of 2007
- <IR> Framework of the International Integrated Reporting Council
- Sustainability reporting: Prepared with reference to the GRI Universal Standard
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
- ESG Reporting Guidelines issued by the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by Securities and Exchange Commission of Sri Lanka (2017)

Reporting Concepts

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

Connectivity : Use of navigation icons and signposting across Report

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

Scope and Boundary

This Report covers the operations of the Group for the period from 1st April 2023 to 31st March 2024. The financial and non-financial information presented relates to consolidated information, unless otherwise mentioned. The Group adopts an annual reporting cycle, and this Report builds on the Group's previous report for the financial year ended 31st March 2023.

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

Assurance

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

FEEDBACK

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

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

CONNECTIVITY OF INFORMATION

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

STATEMENT OF BOARD RESPONSIBILITY

The Board of Directors is ultimately responsible for ensuring the integrity of this Report. The Board hereby confirm that the 2023/24 Annual Report addresses all relevant material matters and fairly represents the Group's integrated performance, and we also confirm that the Report has been prepared in line with the guidance set out in the Integrated Reporting (IR) Framework.

The Report is approved and authorised for publication.

Signed on behalf of the Board,

Krishan Balendra

Krishan Balendra
Chairperson

20th May 2024

ASSERTIVE

OVERVIEW

THE YEAR AT A GLANCE

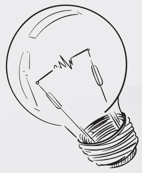
FACTORS IMPACTING OUR PERFORMANCE IN 2023/24

SUSTAINABLE GROWTH

Adapt sales strategy for on-the-go consumers, target "Happy Channels" such as events, sustain leadership in Modern Trade and General Trade, leverage tourism through HoReCa channel and boost online sales.

QUALITY AND INNOVATION

Increased focus on R&D to expand product portfolio, expand shelf-stable options to minimise energy costs and launch new products (NPDs) for wider meal solutions and market share growth.



EMPOWERED TEAM

Build a talent magnet with strong employer branding, invest in development for individual excellence, cultivate a supportive climate for business excellence and fuel emotional engagement for optimal performance.

OPERATIONAL EFFICIENCY

Modernisee Pannala plant equipment to minimise downtime, implement proactive maintenance for efficient energy use and overhaul logistics with data-logged fleet for real-time temperature control.

STRENGTHEN CHANNEL AND SUPPLY CHAIN

Diversify primary material suppliers, streamline logistics for faster deliveries and implement pre-planned ordering for distributors to optimise resource allocation and inventory.

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE		2024	2023	YOY change
Revenue	Rs.'000	**5,798,813**	6,444,270	(10%)
Gross Profit	Rs.'000	**1,276,881**	1,386,323	(8%)
Operating Profit	Rs.'000	**(137,186)**	230,477	(160%)
Profit Before Tax	Rs.'000	**(289,937)**	69,115	(519%)
Profit After Tax	Rs.'000	**(218,271)**	13,945	(1,665%)
EBITDA*	Rs.'000	**102,257**	457,020	(78%)

FINANCIAL POSITION		2024	2023	YOY change
Current Assets	Rs.'000	**1,947,065**	2,275,413	(14%)
Total Assets	Rs.'000	**3,961,880**	4,302,695	(8%)
Total Debt	Rs.'000	**1,074,431**	1,230,059	(13%)
Shareholders' Funds	Rs.'000	**1,863,261**	2,108,276	(12%)
Debt / Equity	%	**57.66**	58.34	(0.68)
Debt / Total Assets	%	**27.12**	28.59	(1.47)

WORKING CAPITAL MANAGEMENT		2024	2023	YOY change
Inventory	Days	**72**	86	(14)
Receivable	Days	**58**	51	7
Payable	Days	**24**	19	5
Working Capital Cycle	Days	**106**	118	(12)
Current Asset Ratio	Times	**1.13**	1.27	(0.14)
Quick Assets Ratio	Times	**0.61**	0.60	0.01

PROFITABILITY RATIOS		2024	2023	YOY change
Operating Profit Margin	%	**(2.37)**	3.58	(5.95)
Return on Assets	%	**(5.28)**	0.36	(5.64)
Return on Equity	%	**(10.99)**	0.65	(11.64)
Return on Capital Employed	%	**(4.36)**	7.84	(12.20)

INVESTOR RATIOS		2024	2023	YOY change
Earnings per Share	Rs.	**(8.56)**	0.55	(9.11)
Net Assets per Share	Rs.	**73.07**	82.68	(9.61)
Dividend per Share	Rs.	**0.50**	2.00	(1.50)
Market Price Per Share as at 31st March	Rs.	**147.00**	160.00	(13.00)
Market Capitalization as at 31st March	Rs.'000	**3,748,500**	4,080,000	(8%)
Price Earning Ratio	Times	**(17.17)**	290.91	(308.08)
Cash Earnings per Share	Rs.	**1.96**	8.16	(6.20)

*EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization. Note that EBITDA includes interest income but excludes exchange gains or losses.

NON-FINANCIAL HIGHLIGHTS

			2024	2023
Financial And Manufactured Capital	**Direct Economic Value Generated**	Rs.'000	**5,833,218**	6,479,052
	Distributed to:			
	Employees	Rs.'000	**917,544**	745,732
	Government	Rs.'000	**746,689**	767,956
	Shareholders	Rs.'000	**12,750**	51,000
	Capital Providers	Rs.'000	**166,849**	172,323
	Depreciation and Amortisation	Rs.'000	**225,529**	196,808
	Economic Value Added	Rs.'000	**1,812,705**	1,830,144
	Property, Plant and Equipment	Rs.'000	**1,675,939**	1,702,029
	Capital Expenditure	Rs.'000	**189,382**	292,095
Intellectual Capital	No. of Certifications	No.	**17**	17
	No. of Recipes	No.	**+550**	+550
	New Products Launched	No.	**23**	15
	Average Length of Employee Service	Years	**11**	11
Human Capital	Total Employees	No.	**601**	543
	Payments to Employees	Rs.'000	**917,544**	745,732
	Employee Satisfaction Rate	%	**78**	78
	Female Representation	%	**16**	16
	Investment in Training	Rs.'000	**9,200**	7,400
	Total Training Hours	Hours	**6,853**	7,914
	Average Training Hours/Employee	Hours	**11**	15
	Workplace Injuries	No.	**6**	7
Social and Relationship Capital	Supplier Reach	No.	**+220**	+200
	Distribution Network	No.	**54**	55
	Retail Outlets	No.	**+29,000**	+32,000
	Payments to Suppliers	Rs.'000	**4,826,402**	5,737,499
	Supplier Audits	No.	**58**	48
Natural Capital	Energy Consumption	GJ	**30,702**	29,511
	Water Consumption	M3	**84,405**	94,832
	Water Recycled	%	**40**	31
	Solid Waste Generation	MT	**666**	650
	Carbon Footprint	tCO_2e	**4,632**	4,481

CHAIRPERSON'S MESSAGE

INTRODUCTION

I am pleased to present the Integrated Annual Report and Audited Financial Statements of Keells Food Products PLC (KFP) for the year ended 31st March 2024 on behalf of the Board. The Annual Report provides a concise review of the Group's value creation processes and strategies implemented to navigate a challenging year to maintain market leadership.

OPERATING ENVIRONMENT

The Sri Lankan economy recorded a gradual recovery during the latter part of calendar year (CY) 2023, marking the end of a prolonged period of economic contraction spanning six consecutive quarters. Growth was primarily driven by multiple much-needed policy adjustments and structural reforms implemented by the Government and the Central Bank of Sri Lanka (CBSL) since end-CY2022. Inflation significantly decelerated to a single digit by the end of the calendar year, on the back of various policy actions aimed at controlling inflation levels, from the peak levels of 70% witnessed in CY2022. Considering the relatively stable inflation indicators, and in order to support the rebound of domestic economic activity, the CBSL reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 550 basis points each, respectively, in CY2023. The persistent twin deficits in the Government's overall budget and the external current account, which contributed to the economic downturn, among many other contributory factors, exhibited signs of significant improvement in CY2023. Both the Government's primary balance and the external current account recorded a surplus in CY2023. There was also a sustained and strong buildup of the external reserves position of the country to USD 4.4 billion by the end of CY2023 [CY2022: USD 1.9 billion].

The country witnessed a notable increase in foreign exchange inflows primarily driven by tourism and other services exports, particularly remittances from overseas workers. This recovery in foreign exchange inflows coupled with lackluster import demand, including import restrictions during most parts of the year, and a cessation of foreign currency debt service obligations helped alleviate the severe foreign exchange shortage experienced during the economic crisis. Bolstered by such developments and aided by improved market confidence, the Sri Lankan Rupee also strengthened significantly by ~11% on average during the 2023/24.

These outcomes eased pressure off disposable incomes impacted from direct and indirect taxes and increase in power and energy costs. However, the increase in Value Added Tax (VAT) rate from 15% to 18% and the elimination of VAT exemptions impacted spending on discretionary items during the fourth quarter of the financial year. Electricity tariffs were increased, on average, by 40% in February 2023, reduced by 9% in July 2023 and increased by 12% in October 2023 respectively, while tariff rates were subsequently revised downwards on average by 18% in March 2024. Fuel prices decreased ranging between 12% to 26% across different categories during the year, providing a measure of relief after the sharp increases witnessed during the previous financial year.

IMPACT ON KFP

KFP recorded an overall 9% decline in volumes during the year under review as consumer spending tapered off due to the discretionary nature of the purchase. The first half of the year witnessed a substantial 27% decline in volumes, attributed to intensified pressures on household budgets from high inflation, increased taxes, electricity tariffs and fuel costs, leading to an increase in the cold chain costs across the supply chain. The business however recorded a notable recovery in the second half of the year with a volume increase of 17%, resulting from strategic maximum retail price revisions in selected products, which improved affordability even during a period where discretionary spending was somewhat subdued. Encouragingly, KFP experienced a 42% volume growth in the fourth quarter of the year driven by the improved overall economic activity, uptick in consumer confidence and seasonal sales, albeit from a lower base in the fourth quarter of 2022/23.

The alleviation of inflationary pressures, and resultant price reductions across key raw materials, enabled KFP to pass on the cost benefits to customers to drive volumes, notwithstanding the impact of VAT and electricity increase which was absorbed by the Company. The notable transition from in-home consumption to out of home consumption observed during the year, necessitated revision in both the channel and product strategies. The significant increase in electricity costs pose challenges for cold chain retailing and distributor profitability, resulting in disruptions within the distributor network during the initial months of the year. However, improved stability in the supply chain, improvement in market and foreign exchange liquidity supported normalisation of working capital cycles of the Company.

STRATEGY AND OPERATIONAL REVIEW

Amidst a challenging operating landscape, KFP maintained its market leadership position in processed meats despite a 9% decline in volumes, a testament to the strength of the brand. As affordability became the key decision point, intense competition spurred a trend of market downtrading, particularly within the core retail sausage segment, where consumers shifted to unbranded options across General Trade and Hotels-Restaurants-Catering (HoReCa) channels. KFP responded to this challenge by introducing economic value packs, aimed at offering 'value for money' as well as strategic price reductions to stimulate volume growth.

During the first half of the year, KFP recorded a substantial 27% drop in volumes on the back of subdued consumer spend, leading the Company to reduce maximum retail prices to support volumes. This strategy yielded results with an improvement in volumes by 17% during the second half of the year. Despite increase in VAT, fuel and electricity costs, KFP maintained a gross profit margin of 22% during the 2023/24 showcasing the resilience of the business in a challenging environment with margins improving quarter on quarter, in tandem with a gradual increase in volumes and effective management of input materials and operational costs.

During the year, the retail sausages and meatballs categories recorded a volume decline of 21% and 23%, respectively. However, it is encouraging to note that volumes rebounded during the second half of the year with retail sausages volumes increasing by 2% and the decline in meatballs volumes being limited to 2%, in comparison to the same period of the previous year, aided by the reduction in maximum retail prices of selected products. The retail sausages range maintained its market leadership position despite the volume reduction and contributed 27% to the overall volumes of the Company. The cold meat category showed a notable improvement with a 11% growth supported by HoReCa channel, while the crumbed range declined by 17% during the year. The fourth quarter of the year also noted a strong recovery of 134% in the dry category as against the 51% decline in volumes during the first three quarters of the year, achieved by implementing focused strategies including the introduction of the KeellsKrest Pasta range, sustained promotions, targeted activations, and introduction of a new incentive scheme for sales force.

The General trade channel contributed 40% of total volumes, followed by Modern trade and HoReCa at 33% and 25%, respectively. General trade channel witnessed a decline in volumes of 37%, while Modern trade channel noted a decline in volumes by 24% during the first half of the year in comparison to the same period in 2022/23. However, both channels reported strong recovery during the second half of the year, with General trade and Modern trade channels growing by 18% and 8% respectively in comparison to the second half of the previous year. The HoReCa channel recorded an overall growth of 9%, supported by the recovery in the tourism and leisure industry and a resurgence in out-of-home consumption.

Proactive measures implemented by the Company during the year such as a shifting reliance from imported raw materials to locally sourced inputs, upgrading the transport fleet to optimise the cold chain and thus guaranteeing the integrity of products end to end has contributed positively to the supply chain. In response to subdued consumer sentiments, advertising and promotion costs were curtailed during the year. The management continued to its efforts to identify areas of potential savings backed by frequent cashflow reviews and spend control towers to ensure that expenses were optimised. In April 2024, KFP entered into a strategic partnership with Millenium Imports PTY Ltd, an Australian Company to produce and market 'Elephant House' sausages in Australia. This partnership supports expansion strategies across international markets and reflects our commitment to strategic collaborations for business growth and market penetration.

FINANCIAL PERFORMANCE

KFP recorded a decline in revenue of 10% to Rs. 5.8 billion as compared to the previous financial year due to the contraction in volumes and the resultant maximum retail price reductions taken during the year to navigate the impact of subdued consumer spend. The Company maintained its gross profit margins at 22% despite increase in VAT rate, higher discount spends, electricity and fuel cost escalations, and factory upkeep costs. During the year under review, KFP recorded an operating loss of Rs. 137 million reflecting the multiple challenges described above. Interest costs decreased by 3% to Rs. 167 million on account of normalised working capital cycles and lower interest rates during the year. The deferred tax reversal of Rs. 72 million on account of the losses carried forward resulted in KFP recording a post-tax loss of Rs. 218 million.

OUR EMPLOYEES

The value creation process of the Company is driven by a dedicated team of 601 employees, where KFP adheres to the HR policies and procedures adopted by the John Keells Group of which the Company is a part of, ensuring equal opportunity for all employees. A comprehensive health and safety policy and a dedicated safety officer ensures a safe working environment reinforced by regular safety meetings, hazard identification and risk

CHAIRPERSON'S MESSAGE

assessment and occupational exposure measurement, in compliance with the ISO 45001:2018 standard. KFP collaborated with the Sri Lanka Institute of Marketing (SLIM) to create a customised 'Sales Warriors Programme' module to upskill the KFP sales force.

COMMITMENT TO ESG

The KFP Group's Environmental, Social, and Governance (ESG) strategy, which is aligned with the governance and sustainability management frameworks of the John Keells Group, continued to uphold sustainability and governance considerations as fundamental aspects of business operations. KFP remains steadfast in its ESG journey, actively pursuing sustainable solutions to fortify its value chain. Investments were made to upgrade the delivery fleet to enhance food safety, improve fuel efficiency, and reduce spoilage during transit, thereby bolstering the quality of delivery. The implementation of route plans has further curtailed carbon emissions by the Company. By upholding customer health and safety standards, KFP maintains compliance with ISO 22000:2018, ISO 9001:2015, Halal certification, GMP and HACCP standards. These measures ensure that products meet stringent criteria promoting consumer well-being, including optimal nutritional profiles, minimal use of artificial additives or preservatives, clear and accurate nutritional labelling on packaging.

ENGAGING COMMUNITIES

KFP remains dedicated to investing in the community and uplifting livelihoods through several initiatives, some of which are conducted in collaboration with the John Keells Foundation. The John Keells English Language Scholarship Programme (JKELSP) aims to assist disadvantaged schoolchildren to develop communication skills in English to enhance their higher educational and career opportunities. The Company also sponsored a Substance Abuse Prevention Awareness programme and an Art Competition in collaboration with the John Keells Foundation to increase awareness amongst schoolchildren in Ja-Ela. Further, KFP in partnership with the John Keells Foundation rolled out a mushroom cultivation project under the Praja Shakthi programme to increase the number of mushroom growers in Ja-Ela to meet market demand, supporting community livelihoods.

DISTRIBUTOR NETWORK AND SUPPLIERS

During the year under review, KFP continued its commitment to supporting local industries by sourcing more than 90% of its raw materials from over 200 local suppliers registered with the Company. The Company has supported supplier resilience through committed order placements, timely settlements and quality audits concluded for 58 suppliers during the year. To support with cost escalations due to VAT and higher utility costs, as well as liquidity constraints faced by the Company's distributors, changes were made to the margin structure, including providing, extended credit to cushion such impacts.

GOVERNANCE

I am pleased to state that there were no reported violations of the Group Code of Conduct and Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

INTEGRATED REPORTING

This Report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Board of Directors is responsible for ensuring the accuracy and integrity of this Annual Report. We confirm, to the best of our knowledge, the credibility, reliability and integrity of the information presented.

FUTURE OUTLOOK

Consumer discretionary spend is envisaged to continue its encouraging recovery similar to the trends witnessed in the latter part of 2023/24 and April 2024 driven by macroeconomic stability and steady inflation rates. Price levels are projected to remain consistent, although potential declines in disposable income may moderate growth. Smaller pack sizes are likely to command a higher share of volume mix due to changes in household income dynamics. KFP will focus on achieving volume stability and recovering urban consumption while improving market leadership in the Western Province. The recovery in the HoReCa channel is expected to grow in tandem with the tourism industry's revival. While recent reductions in electricity tariffs provide a short-term cost benefit, energy expenses are envisaged to exert pressure on margins. The Company will proactively monitor and take necessary measures while considering the price elasticity of demand of the products in its portfolio. However, increased costs due to geopolitical tensions and other global factors remain a concern.

Effective stakeholder management and enhanced supply chain integration will be critical to mitigate these risks and ensure operational stability.

KFP will continue to focus on enhancing product offerings in the convenient and affordable meal solutions segment to increase market share. Given the increased costs of cold chain logistics, there is a strategic imperative to transform the business towards a balanced approach between frozen and non-frozen products, with a focus on introducing new product variants to the dry channel. Strengthening the distribution network particularly consolidating the dry distribution network and sales force to support anticipated volume increases whilst expanding both General and Modern trade channels, especially among organised small and medium enterprises by offering customised solutions to outlet networks and caterers will also be an area of focus. Innovations and promotions will be key to ensuring customer engagement with the brand. Opportunities of expanding into new markets such as the recent venture to Australia will continues to be explored and be a key strategy for overseas expansion for the business.

ACKNOWLEDGEMENTS

I take this opportunity to extend my gratitude to all my colleagues on the Board, for their valuable counsel and support during the year. I would also like to express my condolences on the passing of Mr. Amal Sanderatne who served as an Independent Director on the Board of KFP and place on record the Board's appreciation of his deep insights and invaluable contribution to guiding the strategic direction of the Company. I thank the team at KFP for their dedication, commitment and perseverance in navigating a challenging business environment and ensuring that KFP remains steadfast in achieving its strategic goals. I thank all our valued stakeholders, including consumers, suppliers, and distributors for their continued support in driving sustainable growth of our brands and our investors for their continued confidence in the KFP Group.

Krishan Balendra

Krishan Balendra
Chairperson

20th May 2024

EVENTS FOR THE YEAR

Month	Activity
APRIL	**Avurudu Campaign** "KeellsKrest Avurudu Saadaya" brought the joy of the New Year to life, successfully spreading festive cheer and enhancing brand visibility across Sri Lanka. **Nuwara Eliya 'Wasantha Senakeliya'** Through strategic brand activations and targeted visibility campaigns, KeellsKrest marked its presence as a key player in the Nuwara Eliya seasonal activities.
MAY	**Mushroom Cultivation Project** In collaboration with the John Keells Foundation, launched a mushroom cultivation project in Ja-Ela. This initiative empowers local farmers, promotes sustainable practices and aims to meet the growing market demand for fresh mushrooms. **Time and Task Management Training** To address the training needs for executives, a one-day programme titled "Time and Task Management" was conducted by an external corporate trainer.
JUNE	**Culinary Art Exhibition** KeellsKrest played a significant role in the Culinary Art Exhibition showcasing the brand strength and product portfolio offerings. **Substance Abuse Prevention Awareness and Art Competition** Partnering with the John Keells Foundation, KFP organised a school-based programme to raise awareness on the dangers of substance abuse among young people.
JULY	**Nai Miris Bite** Revamped our "Kochchi Bite" by rebranding it as "Nai Miris Bite". The revamped product features more convenient packaging and an improved formulation, promising an enhanced taste experience for our customers. **John Keells English Language Scholarship Programme (JKELSP) with John Keells Foundation** With the aim to build a brighter future for underprivileged youth, JKELSP expanded its reach to support students from three schools in 2023/24. This programme equips students with essential English language skills, empowering them to excel academically and professionally.
AUGUST	**School Rugby Tournament** Partnering with "The Papare," KeellsKrest strategically engaged with a youthful audience during the exhilarating school rugby season. This partnership provided a platform to promote the "Nai Miris" brand through engaging activations and targeted advertising within the property of "The Papare" directly reaching young sports fans. **70g Meat Balls Launch** Recognizing the needs of the rural market, KFP introduced a new entry-level pack (70g) for our meat balls category, making the product more accessible to a wider range of consumers.
SEPTEMBER	**Annual Fire Trainings** Trainings were conducted at both Ekala and Pannala plants with the facilitation of Gampaha Municipal Fire service.
OCTOBER	**Launch of Oktoberfest Range to Retail Market** Bringing in international flavors to the local market to compliment the "Oktoberfest" season with Elephant House Nuremberg, Pork Bockwurst, Weisswurst and Frankfurt's sausage products. **Children's Day Event** "KeellsKrest Frankie" took the kids who won the "Frankie Good Habits Squad" art competition on a movie date to PVR cinema during the Children's Day.

Month	Activity
NOVEMBER	**Revamp of the Chicken Ham under "Frankie"** The introduction of Chicken Ham under the "Frankie" brand packaging architecture signifies a strategic move to align products primarily associated with children and parents under the "KeellsKrest Frankie" brand. **First Aid Training** Annual first aid trainings were conducted at both Ekala and Pannala plants with the facilitation of Red Cross Society Gampaha.
DECEMBER	**Launch of the Pasta Range** Recognising the growing consumer demand for convenient meal solutions filled with goodness, KFP expanded its brand portfolio with the introduction of Chifferi and Seashell pasta varieties. **Christmas Campaign** "Naththale Sadda Ahena Rasa" campaign was launched in the digital sphere with a recipe series that compliments the season. **CA Sri Lanka TAGS Awards 2023** KFP has won the Silver Award in the Food and Beverages Sector at the TAGS Awards 2023 by the Institute of Chartered Accountants of Sri Lanka, recognising its excellence in corporate reporting and commitment to transparency, accountability, good governance, and sustainability.
JANUARY	**Women Empowerment and Personal Development** Committed to fostering a diverse and inclusive workplace, we initiated a series of training programmes designed to empower women in leadership roles. **Guidance and Counselling** As an extension of the sector initiative "Suwapath Manasak, Sawimath Diviyak", an awareness session on "Guidance and Counselling" was initiated and the first programme was conducted for the staff at Pannala.
FEBRUARY	**Launch of the Big Chicken Sausage (2 Stick)** Recognizing the demand from consumers and rural markets for value-added products at an entry-level price point, 2 stick chicken sausage was launched to capture competitor markets and attract new consumers by offering a better-quality product at a low price point. **Nutritional Awareness Programme** John Keells Foundation together with Scaling Up Nutrition People's Forum conducted Nutritional Awareness Programmes in 5 schools in Ja-Ela area. This programme focuses on enhancing nutrition awareness and promoting sustainable practices.
MARCH	**Partnering with School Big Match Season** With the kick-off of an eventful month, school big matches are significant in the KFP event calendar. Capitalising on the recent launch of pasta, KeellsKrest introduced a youthful dish (Nai Miris Pasta) for the season by combining Nai Miris Sausage and Pasta. **International Woman's Day 2024** KFP championed women on International Women's Day 2024 under three pillars of Educate, Engage and Expose.

BOARD OF DIRECTORS

KRISHAN BALENDRA

Non-Executive - Non-Independent Director / Chairperson

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

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

GIHAN COORAY

Non-Executive - Non-Independent Director

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

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

DAMINDA GAMLATH

Non-Executive - Non-Independent Director

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

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

NELINDRA FERNANDO

Non-Executive - Non-Independent Director

Ms. Fernando was appointed to the Board of Keells Food Products PLC on 1st January 2021.

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

PRAVIR SAMARASINGHE

Non-Executive - Independent Director

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

Mr. Samarasinghe has over 30 years of professional and commercial experience and serves on the Board of Directors of several Public Listed and Unlisted Companies. He was the Past Chairman of the Sri Lanka Institute of Directors, Employers' Federation of Ceylon, Industrial Association of Sri Lanka, Condominium Developers Association of Sri Lanka, and EFC Affiliated Group of Companies. He was the Past President of the Chartered Institute of Management Accountants Sri Lanka Division and former Council Member, CIMA (UK). He served as a Board Member of the Ceylon Chamber of Commerce and Sri Lanka Accounting and Auditing Standards Monitoring Board. Mr. Samarasinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants UK and holds a Master's Degree in Business Administration.

INDRAJIT SAMARAJIVA

Non-Executive - Independent Director

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

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

SHEHARA DE SILVA

Non-Executive - Independent Director

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

Ms. De Silva is an international branding and communication specialist with a track record of market development in East Asia and Sri Lanka. She has worked with Omnicom Group related companies as the Director Planning Naga DDB in Kuala Lumpur and later as the Managing Director of Interbrand Malaysia and Group Director Strategy of Foetus International. She was formerly the Deputy Director General of the Board of Investment Sri Lanka and Marketing Director of New Zealand Milk products, GM Marketing and Sales of Janashakthi Insurance PLC. She has been involved in the transformation strategy of three of Sri Lanka's leading Corporates; Singer Sri Lanka in Retail, NDB in Banking and Janashakthi in Insurance. She is a trustee of the Neelan Tiruchelvam Trust and on the boards of Sarvodaya Development Finance PLC, Optima Design, Informatics Institute of Technology, Quickshaws Travel (Pvt) Ltd, Ex-pack Corrugated Cartons PLC, Amana Takaful Life PLC and the Family Planning Association of Sri Lanka.

MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER

Mr. V I Wickramaratne
Vice President / Chief Executive Officer

SALES AND MARKETING

Sales

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

Mr. M A W S S Maddumaarachchi
Channel Manager

Mr. D T A Gunawardhana
Channel Manager

Mr. S A S D Subasinghe
Channel Manager

Marketing

Mr. K A S Daksitha
Manager - Marketing

SUPPLY CHAIN

Mr. D V T Abeygunawardane
Senior Assistant Vice President - Head of Operations

Production

Mr. W A V Boteju
Manager - Head of Manufacturing

Mr. K A V Fernando
Senior Factory Manager - Pannala

Mr. C N Soza
Senior Factory Manager - Ekala

Research and Development and Quality Assurance

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

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

Procurement

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

Engineering

Mr. G G S Ramanayaka
Manager - Engineering

Logistics

Mr. A L P P Perera
Manager - Logistics

HUMAN RESOURCES

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

Ms. M W C K Jayasooriya
Manager - Human Resources

Mr. D L Amarakoon
Manager - Training & Development

FINANCE

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

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

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

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

Mr. A C Morris
Senior Manager - Management Accounting

Mr. R G P Indika
Manager – Credit Control

Mr. B N Mandis
Manager – Finance

KEY PRODUCT CATEGORIES

Our range of products are very much part of the Sri Lankan lifestyle, indispensable at gatherings and a favourite at family meals. Known for their convenience and versatility in preparation, the products are also a treat for the tastebuds as they incorporate the familiar spices that add depths of flavour, making the products truly Sri Lankan. We are committed to upholding the highest standards in sourcing the finest quality ingredients which are prepared according to an ever-expanding library of tested recipes.

Processed Meat

Sausages & Meatballs

This range includes sausages, cylindrical tubes of minced meat encased in artificial or natural casings, typically available in many different forms, such as precooked, smoked, dried etc. To make meatballs, generally use chopped coarse meat often mixed with local spices and high-quality binders to develop its nature. Both KeellsKrest and Elephant House brands offer these convenient products, promising goodness, taste, and ease for modern Sri Lankan lifestyles.

Crumbed Range

The crumbed range features products coated with a special bread granule that is specially developed and manufactured under strict guidelines. Typically need to bake or deep-fried before consumption. This range is sold under the KeellsKrest brand and creates a satisfyingly crisp crust and has been a staple for Sri Lankan families and friends to enjoy for generations.

Cold Meat

Cold cuts are a variety of pre-sliced or pre-cooked meat that are typically served cold and available in many variants. Our cold cuts range sold under the Elephant House and KeellsKrest brands.

Dry Range

An expanding range of ambient products which offers the convenience of storage at room temperature while maintaining wholesome goodness. This range includes pasta and soya meat which is sold under the KeellsKrest brand and canned range sold under the Elephant House brand.

RESPONSIVE

MANAGEMENT DISCUSSION AND ANALYSIS

OUR BUSINESS

ORGANISATIONAL OVERVIEW

KFP, a market leader and pioneer in our country's processed meat industry, possesses a four-decade-long history. Maintaining a competitive advantage through continuous investments in manufacturing technology and research and development has allowed the organisation to swiftly respond to evolving consumer needs. Our island-wide distribution of products is made possible via an extensive network of 54 distributors and over 29,000 retail locations. By exporting to the Maldives and few other countries, the KFP has established a regional presence. We offer a wide range of processed meat products, including sausages, meatballs, crumbed items, cold meat and raw meat options. For those seeking shelf-stable options, we also offer a selection of canned products, soya meat and pasta products in our dry range. KFP operates as a subsidiary of John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate and the most valuable listed entity in Sri Lanka.

We offer a wide range of processed meat products, including sausages, meatballs, crumbed items, and raw meat options. For those seeking shelf-stable options, we also offer a selection of canned products, soya meat and pasta products in our dry range.

OUR PRODUCTS

- Processed meat
  - Sausages & Meatballs
  - Crumbed Range
  - Cold Meat
- Dry range

OUR CHANNELS

- General Trade
- Modern Trade
- Hotels, Restaurants & Catering (HoReCa)
- Exports

OUR BRANDS

KeellsKrest and Elephant House are well-known brand names that are strongly associated with quality excellence, flavour, and nutritional value

CUSTOMER FOCUS

23 New Products Launched

45 Products in Pipeline

OUR PEOPLE

601 Total Employees

78% Employee Satisfaction Rate

Rs. 9 Mn Investment in Training

Rs. 918 Mn Payments to Employees

PRODUCT AND PROCESS QUALITY

Adherence to a variety of quality management and food safety certifications assuring superior quality in our products and processes.

MARKET REACH

An extensive nationwide presence due to its **29,000+** retail locations and **54** strong distribution network

R & D CAPABILITIES

Rs. 12 Mn Investment in R&D

+550 Recipe Library

+200 Product Range

Rs. 102 Mn EBITDA

OUR BUSINESS

VALUE CREATION MODEL

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

CAPITAL INPUTS

FINANCIAL CAPITAL 34

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

- Shareholders' funds: Rs. 1,863 million
- Borrowings: Rs. 1,074 million

MANUFACTURED CAPITAL 37

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

- 4 Production facilities
- Property, Plant and Equipment: Rs. 1,676 million (Page 176)

INTELLECTUAL CAPITAL 39

Represents our brands and extensive recipe library which underpins our competitive edge as well as our strong R&D capabilities and +550 recipe library.

HUMAN CAPITAL 42

Our team of 601 employees who provide the comptencies and commitment to support the delivery of our strategic objectives.

SOCIAL AND RELATIONSHIP CAPITAL 48

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

- Distributors: 54
- Retail partners: +29,000
- Suppliers: +220
- Communities in which we operate (Page 52)

NATURAL CAPITAL 54

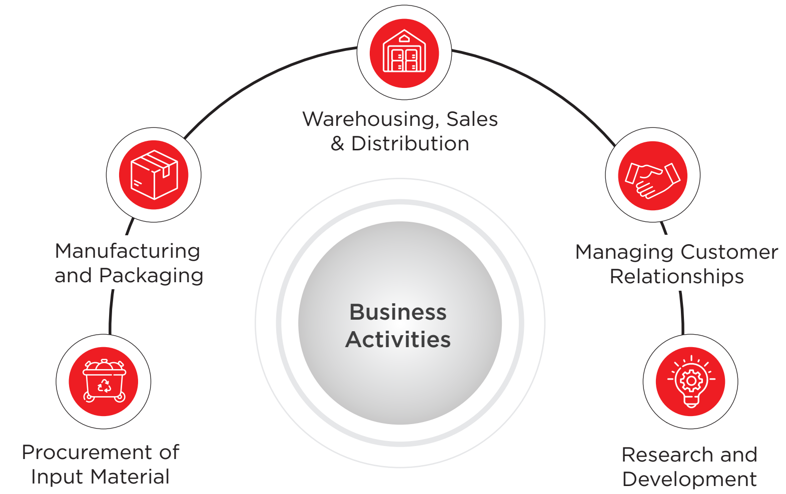
Natural resources we rely on to manufacture and distribute our products and manage our operations.

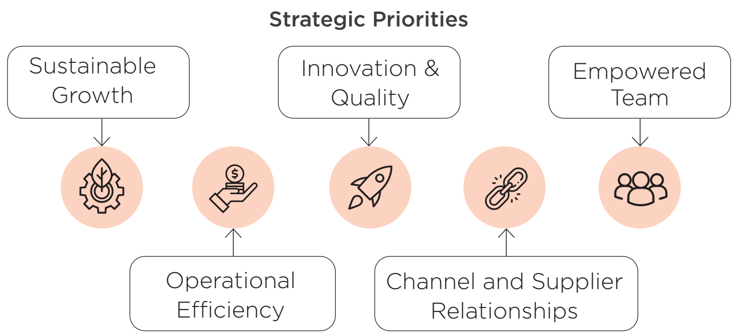
- Energy consumption: 30,702 GJ
- Water consumption: 84,405 m^3

VALUE TRANSFORMATION PROCESS

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

VALUES: Innovation, Integrity, Excellence, Caring, Trust





Underpinned by effective Corporate Governance (page. 58) and Risk Management practices (page. 105)

Corporate Governance | Risk Management Framework | ESG Focus

Operating Environment

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

OUTPUTS
Rs. 747 Mn Direct and indirect tax payments
Rs. 1,813 Mn Economic value added
Rs. 918 Mn Employee remuneration
Rs. 4,826 Mn Payments to suppliers
4,632 tCO2e Carbon footprint

OUTCOMES

FINANCIAL CAPITAL
- Rs. 102 million in EBITDA
- Rs. 13 million dividend payments
- Share price Rs. 147/-

MANUFACTURED CAPITAL
- Rs. 189 million capital expenditure
- Rs. 12 million R&D expenses

INTELLECTUAL CAPITAL
- 23 new products added
- Management System certifications from SLSI
- Rs. 236 million in brand building initiatives

HUMAN CAPITAL
- Rs. 918 million in salaries and benefits
- Rs. 9 million investment in training
- Measures to ensure physical and mental well-being
- 78% Employee satisfaction rate
- 6 work place injuries

SOCIAL AND RELATIONSHIP CAPITAL
- Rs. 496 million distributor earnings
- Rs. 4,826 million payments to suppliers

NATURAL CAPITAL
- 4,632 tCO2e generated from operations
- Zero environmental grievances
- Fully compliant with all relevant environmental regulations
- 40% Water recycled

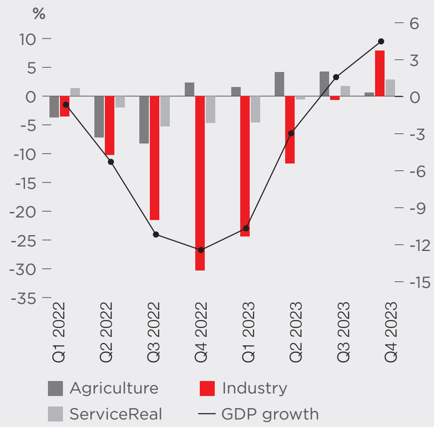
OUR BUSINESS

ECONOMIC ENVIRONEMENT

GDP PERFORMANCE

The economic conditions gradually stabilised with the economy contracting by 2.3% (Y-o-Y) in 2023 compared to the contraction of 7.3% in 2022. With a 1.6% (Y-o-Y) expansion in the third quarter of 2023, the Sri Lankan economy experienced a growth after six consecutive quarters of economic contraction. The boost in the domestic economic activity is expected to persist supported by lax monetary policy and positive investor and business sentiments, leading to enhanced supply conditions. While disruptions in energy supply ceased, challenging macroeconomic conditions resulted in the manufacturing sector edging up at a slower pace. Improved investment contributed to the 2.6% expansion of the agriculture sector during the year while gradual revival in the tourism industry limited the contraction in the service sector to 0.2%.

QUARTERLY GDP GROWTH (CONSTANT PRICES)



Source: Central Bank of Sri Lanka

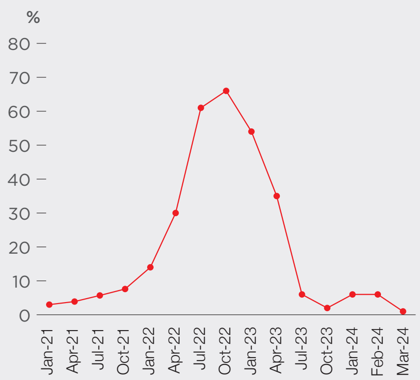
IMPACT ON KFP

GDP growth causes a rise in disposable income among households in the economy, influencing consumer purchasing power and spending habits. However, statutory income tax revisions and the increase in VAT resulted in a decline in consumer's disposable income.

INFLATION

Subdued demand and improved supply conditions drove inflation down from 69.8% (Y-o-Y) in September 2022 to 0.9% in March 2024. After five months of continuous deflation, the Food category experienced (Y-o-Y) inflation of 0.3% in December 2023 and 3.8% in March 2024, primarily due to weather-related disruptions. While headline inflation accelerated in January 2024, owing primarily to domestic price adjustments caused by Value Added Tax (VAT) adjustments, headline inflation is expected to gradually stabilize around the targeted level of 5% (Y-o-Y), aided by appropriate policy measures.

CCPI BASED Y-O-Y HEADLINE INFLATION



Source: Department of Census and Statistics

IMPACT ON KFP

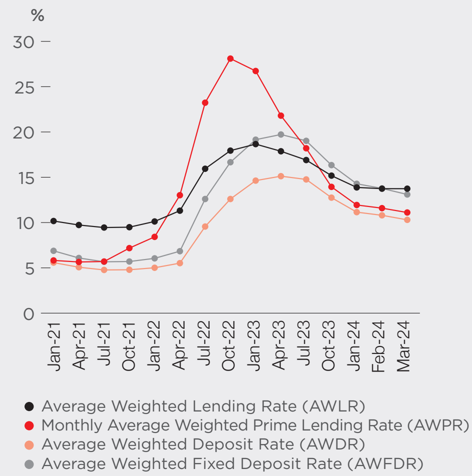
Stabilised inflation reduces consumer sensitivity to changes in market prices, which in turn stimulates demand. Consequently, consumers' purchasing decisions become less susceptible to price fluctuations..

INTEREST RATES

In light of prevailing developments in the domestic and international economies, and in an effort to sustain inflation at the intended level of 5% over the medium term, the Central Bank of Sri Lanka (CBSL) progressively decreased the SDFR* and SLFR** from 14.50% and 15.50% respectively in January 2023 to 8.5% and 9.5% by March 2024. The Monetary Policy Board emphasised financial institutions to swiftly pass through the entire impact of monetary easing measures to market interest rates, thereby accelerating interest rate reductions by March 2024. The bank rate also decreased progressively throughout the financial year, falling to 14% by the end of March 2024.

* SDFR - Standing Deposit Facility Rate
** SLFR - Standing Lending Facility Rate

MARKET INTEREST RATES



Source: Central Bank of Sri Lanka

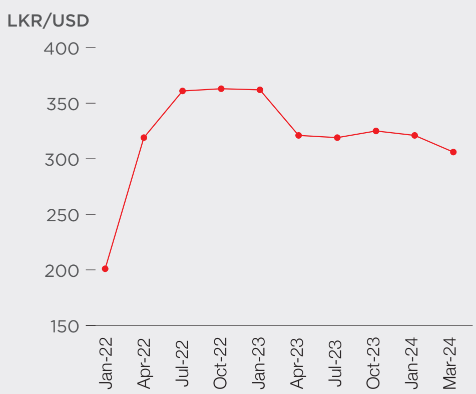
IMPACT ON KFP

A decrease in borrowing costs resulting in improved accessibility to external financing to meet working capital requirements and to facilitate opportunities for growth while improving profitability, for the Company and its distributors.

EXCHANGE RATE AND EXTERNAL POSITION

The merchandise trade deficit has decreased by 6% in 2023 compared to 2022, and the recovery in trade services due to tourism profits and the strong momentum of workers' remittances has resulted in a surplus in the current account balance of the balance of payments for 2023. With financial assistance from the IMF, World Bank, and ADB, gross official reserves (GOR) increased to USD 5 billion by the end of March 2024, significantly stabilising the country's external position. The Sri Lankan rupee appreciated by ~11% against the USD in 2023/24.

EXCHANGE RATE MOVEMENT LKR PER USD



Source: Central Bank of Sri Lanka

IMPACT ON KFP

An appreciation of the Sri Lankan Rupee resulting in increased investor confidence and decreased input material expenses.

OUR BUSINESS

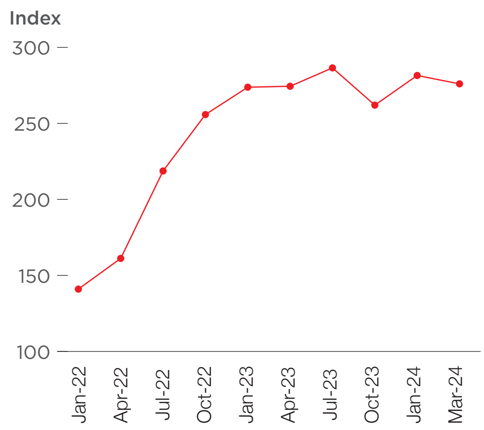
INDUSTRY DRIVERS

Industry Environment

Supporting the dietary preferences and requirements of the population, the meat industry in Sri Lanka is an essential subsector of the country's livestock industry. The sector comprises a diverse range of meat production, such as pork, beef, chicken, and mutton. Recent years have witnessed substantial expansion and modernisation initiatives in the poultry sector, which have been bolstered by developments in feed formulations, breeding methodologies, and disease control strategies. These developments have further solidified the poultry industry's position as a market leader within the livestock industry. The rising trend of urbanisation, accompanied by improvements in disposable incomes and increased customer sophistication, has resulted in changing consumption patterns within the Sri Lanka meat industry, leading to a gradual shift towards the consumption of processed meats. Due to their increased shelf life, versatility, and convenience, processed meats are becoming an increasingly attractive option for busy urban consumers in search of convenient meal solutions.

The lagged impact of monetary policy, relaxation of supply-side constraints, appreciation of the local currency, and downward adjustment of global commodity prices resulted in inflation falling to single-digit levels in 2023. The agriculture industry saw moderate expansion in 2023, with 7% (Y-o-Y) positive improvements in Producer Price Index (PPI), while animal production showed a 7.4% positive change. Food inflation reduced (Y-o-Y), reaching 3.8% in March 2024.

PRODUCER PRICE INDEX - ANIMAL PRODUCTION



Source: Department of Census and Statistics

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

Consumer Preferences	
• Disposable income remained a challenge within the lower to middle income brackets. • Preference towards out-of-home consumption while in-home consumption declined. • Logistics issues due to red sea shipping distruptions.	**Implications to KFP:** • Price sensitivity towards processed meat products as consumers curtailed spending on discretionary food items • Opportunities to target 'Happy Channels' by reorganising product portfolio and marketing efforts towards outdoor events **Our response:** Demonstrating our dedication to innovation, KFP introduced a variety of new products, including a pasta range and soya-based offerings, aimed at expanding our market share within consumers' meal plans. We pursued further expansion into our value-added range to enhance our presence in urban markets and price reductions were taken to penetrate price sensitive segments.

Supply Chain Disruptions	
• Domestic and international supply resuming normalised operations • Cessation of energy supply disruptions	**Implications to KFP:** • Resuming consistent supply of raw materials and maintenance of healthy levels of stocks **Our response:** • Broadening the supplier base for main raw material to minimise reliance on few suppliers • Increased efficiency in sourcing to minimise stock holding periods

Environment and Climate Related Risks	
• The meat industry has a significant impact on the climate primarily due to the production of greenhouse gases (GHGs) such as methane and the water footprint of meat production is considerably higher compared to plant-based foods. • Extreme weather patterns caused by climate change, such as heatwaves, droughts, and floods pose a danger to global food supply, aggravating concerns about food security.	**Implications to KFP:** • Preference in customers to transition towards alternative protein sources • Disruption to supply chain due to climate impact resulting in reduced input **Our response:** • Placed emphasis on multiple suppliers for sourcing • Inclusion of Environment, Social and Governance (ESG) considerations into supplier contracts • Annual supplier audits to ensure ethical sourcing practices • Adopting sustainable farming practices and improving efficiency through lean practices

Government Policy	
• Improvement in the country's economy and external position driving investor confidence • Increase in VAT and elimination of certain VAT exemptions from January 2024 • Laxed monetary policy resulting in driving down interest rates and inflation	**Implications to KFP:** • Stabilisation of raw materials prices • Access to short term loans to finance working capital **Our response:** • Adhering to Government regulations • Increase of productivity efficiencies to minimise the impact of rise in costs

STAKEHOLDER ENGAGEMENT

CUSTOMERS

KEY CONCERNS
- Product availability
- Pricing and value for money
- Quality and taste
- Affordability / Convenience

OUR RESPONSE
Focused marketing on out-of-home consumption and value for money proposition, while maintaining market share in modern trade and general trade channels, with continuous emphasis on quality

23
New products introduced

45
New products in the pipeline

ENGAGEMENT MECHANISM
- Customer satisfaction surveys (periodic)
- Customer hotline (continuous)
- Social media engagement (continuous)
- Website
- Marketing communications (continuous)
- Mystery Shopper audits (periodic)

INVESTORS

KEY CONCERNS
- Implications of operating environment
- Relevance of strategy
- Sustainability
- Financial performance
- Timely and transparent communication
- Robust Corporate Governance practices

OUR RESPONSE
Continual evaluation of market dynamics to ensure sustainable value creation for our shareholders

Rs. 102 Mn
EBITDA

Rs. 0.50
Dividends per share

ENGAGEMENT MECHANISM
- Annual General Meeting and publication of Annual Report (annually)
- Interim Financial Statements (quarterly)
- Announcements to the Colombo Stock Exchange (continuous)
- Corporate website (continuous)
- Press releases (continuous)
- One-to-one engagement (when required)

EMPLOYEES

KEY CONCERNS
- Physical and mental well-being
- Rewards and recognition
- Safe working environment
- Opportunities for skill and career progression
- Freedom of association

OUR RESPONSE
Facilitating employees with a stimulating, equitable work environment, enriched with opportunities for personal and professional growth.

Rs. 918 Mn
Payments to employees

Rs. 9 Mn
Investment in training

ENGAGEMENT MECHANISM
- Employee satisfaction surveys -Voice of Employee and Great Place to Work (annual)
- Performance appraisals (annual)
- Work-life balance initiatives
- Open door communication policy (continuous)
- Digital platforms including staff intranet (continuous)

BUSINESS PARTNERS

KEY CONCERNS

- Opportunities for mutual growth
- Equitable terms and conditions
- Financial viability
- Continuity of supply
- Responsible procurement practices
- Timely payments

OUR RESPONSE

Value generation through proactive involvement and financial support

Rs. 60 Mn
Financial assistance to channel partners

Rs. 4,826 Mn
Payments to suppliers

ENGAGEMENT MECHANISM

- "Surge" Distributor Management System - (continuous)
- Audits and site visits (periodic)
- Supplier selection process (as required)
- Training programmes (ongoing)
- Supplier financing

GOVERNMENT & REGULATORS

KEY CONCERNS

- Compliance with relevant regulations and guidelines
- Payment of taxes on a full and timely basis
- Minimise adverse environmental impacts

OUR RESPONSE

Proactive engagement with regulatory bodies and industry stakeholders while being fully compliant with relevant regulations

Rs. 747 Mn
Payments to government

Compliance with all laws and regulations

ENGAGEMENT MECHANISM

- On-site surveillance and factory visits (periodic)
- Directives and circulars (continuous)
- One-to-one engagement (when required)
- Press releases (continuous)

The Group has not sought any financial assistance or made any political contribution to the government during the year

COMMUNITY

KEY CONCERNS

- Livelihood development
- Meaningful CSR projects
- Employment creation
- Minimising adverse environmental impacts of operations
- Contribution towards community development

OUR RESPONSE

Continued investments in impactful community and environmental initiatives

Rs. 3 Mn
Investment in CSR

840
CSR beneficiaries

ENGAGEMENT MECHANISM

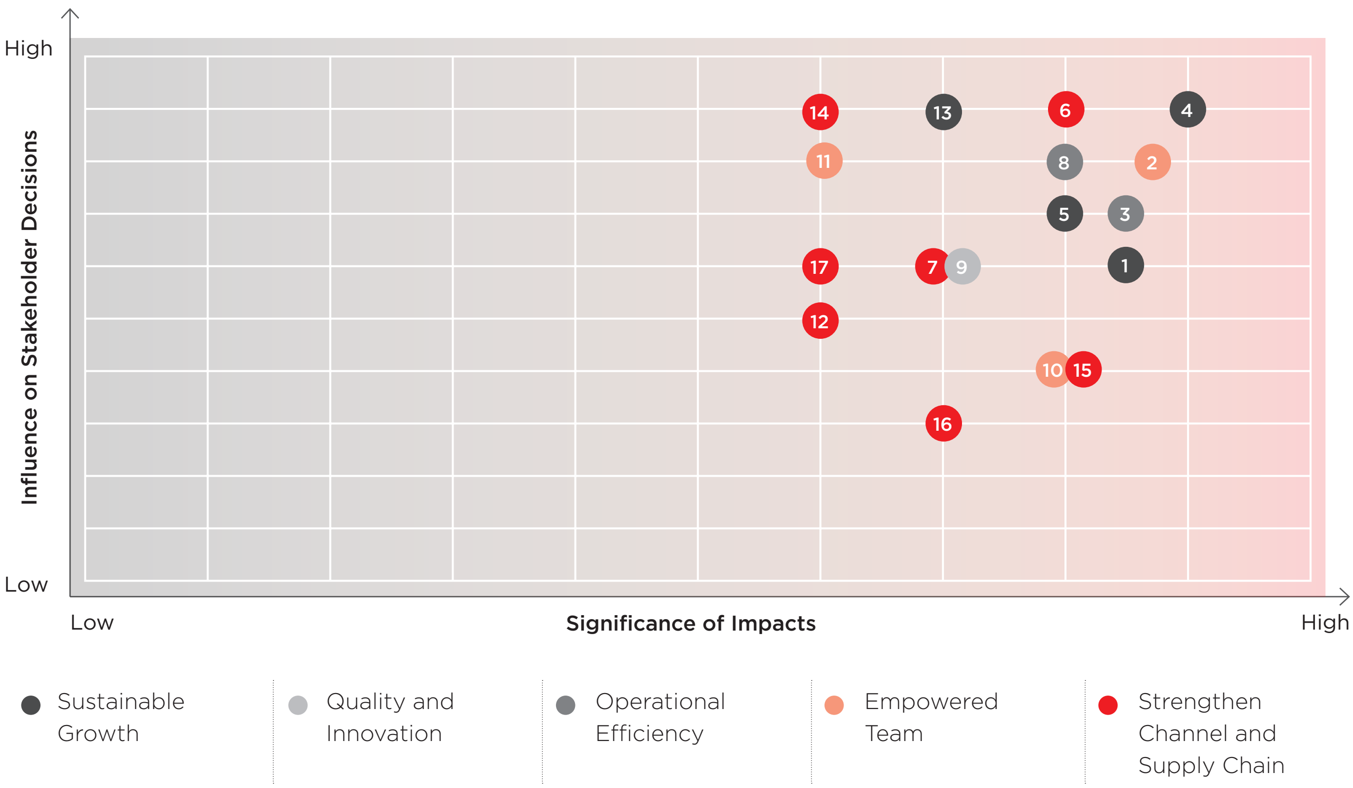
- Community engagement initiatives (continuous)
- Public events (continuous)
- Social media interactions and press releases (continuous)
- CSR projects in partnership with John Keells Foundation

MATERIAL TOPICS

Material matters are factors that hold the greatest significance for our stakeholders and have the potential to exert the most substantial influence on our value generation. The determination of material matters is the result of an in-depth review of all pertinent internal and external factors, as visually depicted below. The subsequent material topics are a combination of those mandated by the GRI guidelines and elements of particular concern to our value creation model, operating environment, and strategy.

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

IDENTIFICATION OF ISSUES	• Assessment of external environment, results of stakeholder engagement and the Group's strategic aspirations.
ASSESSMENT	• Assess potential impact on the Group's performance and stability and key stakeholder groups.
PRIORITISATION	• Prioritise matters based on relative significance and likelihood of impact.
SELECTION AND VALIDATION	• Determine material aspects to be included in the report.



CHANGES IN MATERIAL TOPICS

- Macro-economic conditions and policy developments
- Financial performance and stability
- Concern for customers
- Optimising distribution channels
- Talent attraction & retention

Material Topic	Change in materiality compared to 2022/23	Corresponding GRI Topic
(1) Macro-economic conditions and policy developments	↓	
(2) Employee health and safety	No Change	GRI 403: Occupational health and safety
(3) Efficiency and cost management	No Change	
(4) Financial performance and stability	↑	GRI 201: Economic Performance
(5) Market share and market leadership	No Change	
(6) Concern for customers	↑	GRI 416: Customer health and safety
(7) Optimising distribution channels	↑	
(8) Manufacturing capabilities and operational excellence	No Change	
(9) Innovation	No Change	
(10) Talent attraction & retention	↓	GRI 401: Employment GRI 404: Training and education GRI 402: Labour management relations
(11) Organisational culture and compliance	No Change	GRI 307: Environmental Compliance GRI 419: Socioeconomic compliance
(12) Effective management of supply chains and procurement practices	No Change	GRI 204: Procurement practices
(13) Managing environmental impacts	No Change	GRI 301: Raw materials GRI 302: Energy GRI 303: Water GRI 305: Emissions GRO 306: Waste & effluents
(14) Community engagement	No Change	GRI 413: Local communities
(15) Procurement practices	New Topic	GRI 204: Procurement practices GRI 308 Supplier environmental assessment GRI 414: Supplier social assessment
(16) A Safe workplace	New Topic	GRI 403: Occupational health and safety
(17) Data security	New Topic	GRI 418: Customer privacy

DELIVERING OUR STRATEGY

The year under review posed a multitude of challenges stemming from the continuous repercussions of the nation's economic challenges, which showed indications of a slow recovery. The year necessitated resilience and unwavering resolve to overcome challenges while implementing strategies in line with changes in consumer's buying patterns. The disposable income of our target consumer demographic, which consists primarily of individuals in the middle to upper income brackets, was significantly impacted by the tax policy adjustments including increase of VAT, electricity tariff revisions and rise in cost of living. The primary focus of the Group's strategy was to enhance the value proposition for customers while simultaneously driving cost efficiencies, broadening the product range and reinforcing the supply chain through sustainable practices.

SUSTAINABLE GROWTH

DEVELOPMENTS AND HIGHLIGHTS

- Shift in consumer behaviour, characterised by a transition from in-home consumption to out-of-home consumption prompting changes to our sales strategy
- Opportunities in the domain of 'Happy Channels,' which encompass outdoor events and gathering
- Sustaining a 40% market share in Modern Trade while capitalising the revival of tourism through the HoReCa channel.
- Leveraging e-commerce capabilities to augment online sales

RESOURCE ALLOCATION:

- Marketing and Sales expenditure – Rs. 236 Mn
- Focus on online and HoReCa channels for greater market penetration

KEY PERFORMANCE INDICATORS:

- Rs. 5,799 Mn total sales value
- 3 items introduced in dry range

PLANS FOR 2024/25

- Expand penetration in the export market to India, Canada and Dubai
- Improve the presence in Modern Trade via attractive promo campaigns
- Enhance product range through flavour offerings and dry range

OPERATIONAL EFFICIENCY

DEVELOPMENTS AND HIGHLIGHTS

- Improving the blast freezing operation to enhance and maintain the product quality
- Upgrading equipment at the Pannala plant to minimise disruptions caused by breakdowns and optimise the overall performance of the production facility
- Implementing preventive maintenance and monitoring protocols to optimise steam and electricity utilisation
- Improvement in logistic infrastructure and vehicles fleet with data loggers to gain real-time visibility into temperature fluctuations

RESOURCE ALLOCATION:

- Rs. 110 Mn on Capital expenditure on machine upgrading and maintenance.
- Ongoing identification of prospective areas for process improvement

KEY PERFORMANCE INDICATORS:

- Initiatives to minimise packing material usage and inventory levels.
- Efficency improvement in cooking and filling process
- Strengthen the quality inspection process

PLANS FOR 2024/25

- Continuous improvements in processes to minimise bottlenecks and wastage
- More focus on projects in place to reduce the energy and natural resource usage in manufacturing process

QUALITY AND INNOVATION

DEVELOPMENTS AND HIGHLIGHTS

- Improvement in product taste and texture
- Expanding our dry range to reduce reliance on freezer-dependent items, thereby mitigating electricity costs
- Introducing a new portfolio of pasta products to enhance our market share within the consumer's meal plan and extend our footprint in this segment

RESOURCE ALLOCATION:

- Rs. 12 Mn investment in R&D
- 58 Supplier audits

KEY PERFORMANCE INDICATORS:

- +45 products in the pipeline
- 23 products launched during the year

PLANS FOR 2024/25

- Inform the market on the quality standards offered in our products
- Strenghthen the value for money offering through value engineering of products
- Expand the Dry range

STRENGTHEN CHANNEL AND SUPPLY CHAIN

DEVELOPMENTS AND HIGHLIGHTS

- Broadening the local supplier base for our primary raw material procurement to enhance sourcing efficiency and minimise stock holding periods
- Process improvements in distribution and logistics with stringent route planning and optimised capacity utilisation
- Implementing a pre-planned ordering system for distributors to better allocate resources, optimise production schedules, and maintain optimal inventory levels

RESOURCE ALLOCATION:

- Rs. 4,826 Mn in supplier payments
- Installed data loggers in distribution vehicles

KEY PERFORMANCE INDICATORS:

- 20 long-standing distributors
- 23 new suppliers added during the year

PLANS FOR 2024/25

- Continue broadening the supplier base to minimise vulnerability in the supplier chain
- Focus on improving delivery KPIs (Filling rate, On time delivery & etc.)

EMPOWERED TEAM

DEVELOPMENTS AND HIGHLIGHTS

- Attracting and retaining top talent to support the growth of the organisation
- Individual competency development to accelerate corporate excellence
- Developing a supportive organisational climate that promotes business excellence
- Increasing emotional involvement to enhance performance
- Nurturing a diverse and inclusive culture
- Training and development to drive career progressions

RESOURCE ALLOCATION:

- Rs. 918 Mn payments to employees
- Rs. 9 Mn investment in training

KEY PERFORMANCE INDICATORS:

- 78% employee satisfaction rating
- Zero fatal accidents
- 6,853 training hours

PLANS FOR 2024/25

- Develop employer branding
- Strengthen employee recognition
- Continue focus on the Living Values Programme
- Increased focus on Diversity, Equity & Inclusion (DE&I)

FINANCIAL CAPITAL

In a challenging year, effective management of financial capital was paramount, necessitating a holistic approach that prioritised liquidity, cost control, and strategic initiatives to uphold market leadership.

Rs. 1,863 Mn
Equity

Rs. 5,799 Mn
Revenue

Rs. 0.50
Dividend per share

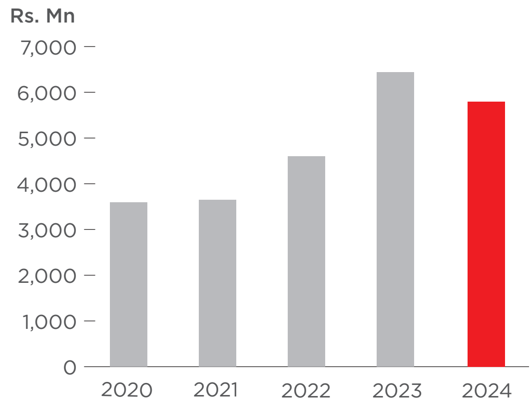
KFP sustained **market leadership** by leveraging **strategic pricing** to drive sales recovery, while protecting gross margins through continuous focus on **efficiencies, productivity, cost control** and **working capital management**.

FINANCIAL PERFORMANCE

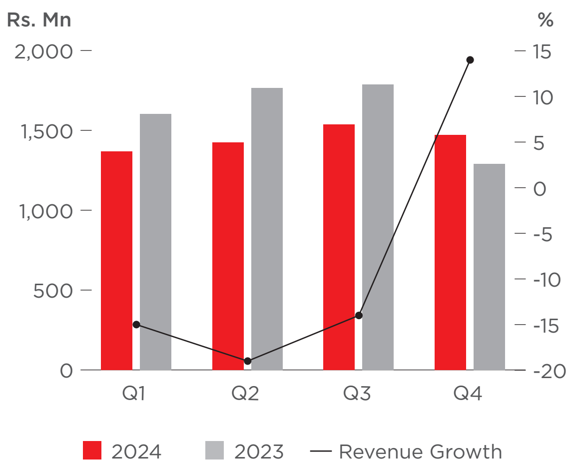
Revenue

KFP recorded a decline in revenue of 10% to Rs. 5.8 billion due to the contraction in volumes and the resultant maximum retail price reductions taken during the year to navigate the impact of subdued consumer spend. In the first half of the year, there was a 27% decline in volume, attributed to household budget pressures stemming from high inflation, increased taxation and rising electricity tariffs. The business experienced a notable recovery in the second half of the year with a volume increase of 17%, backed by strategic selling price revisions which improved affordability. KFP experienced a 42% volume growth in the fourth quarter driven by improved consumer spending and seasonal sales. As inflation subsided, KFP benefited from reduced main material prices which were passed on to customers to enhance affordability and stimulate volume growth, while absorbing the impacts of VAT and electricity increases internally. In distribution, General Trade comprised 40% of total volumes, followed by Modern Trade at 33% and HoReCa channel at 25%. General and Modern Trade declined by 16% and 11%, respectively, while HoReCa grew by 9%, driven by tourism and out of home consumption. Sausages and meatballs declined by 6% and 23%, respectively, whereas the cold meats expanded by 11%, supported by growth in HoReCa channel. The dry category initially experienced a 51% volume decline in first three quarters and this trend was reversed in the last quarter with a remarkable volume growth of 134%, supported by focused strategies including introduction of pasta range, target activations and new incentive scheme for the sales force.

REVENUE TREND



QUARTERLY REVENUE TREND



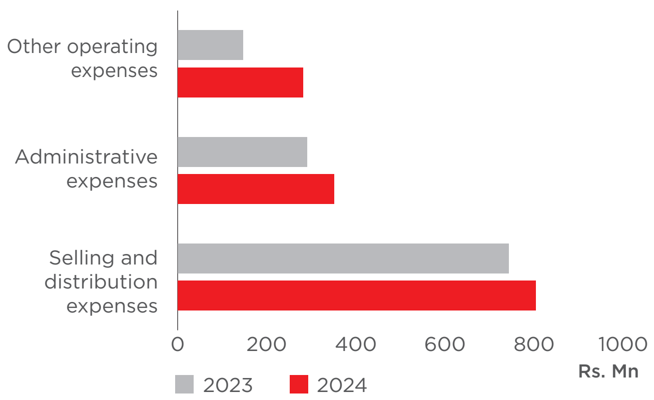
Gross Profit

KFP's consolidated gross profit stood at Rs. 1,277 million, maintaining a gross profit margin of 22%, consistent with the previous year. Cost escalations from increased discount spend to drive volume and electricity and VAT rate hikes exerted pressure on gross margins. Further, the company was compelled to offer higher margins to distributors to ensure financial sustainability, as they were impacted by escalted operational costs from VAT and electricity rate increases. With the easing of inflation, KFP witnessed price reduction in main raw material prices, which was passed on to customers to enhance affordability and to stimulate volume.

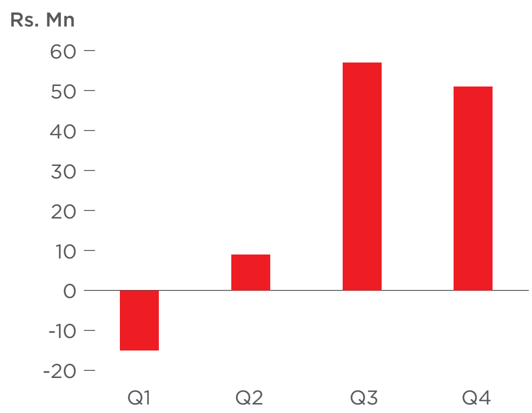
Operating Profitability

KFP recorded an operating loss of Rs. 137 million reflecting the multiple challenges described above and managed to narrow the operating loss in the second half of the year to Rs. 16 million, down from Rs. 121 million in the first half, with the increased volumes supported by improved market conditions and operational cost efficiencies. Overall selling and distribution costs increased by 8%, while administration expenses rose by 21% mainly from people-related expenses. Other operating expenses surged significantly by 91%, mainly due to the increased Social Security Contribution Levy (SSCL) introduced in October 2022, with the full-year impact not fully accounted in the previous year. Additionally, subdued sales volumes resulted in a significant increase in market returns due to product expiries. KFP recorded an EBITDA of Rs. 102 million for the year with Rs. 108 million recorded in the 2nd half of the year compared to EBITDA loss of Rs. 6 million recorded in the 1st half of the year.

COST MANAGEMENT



QUARTERLY EBITDA TREND



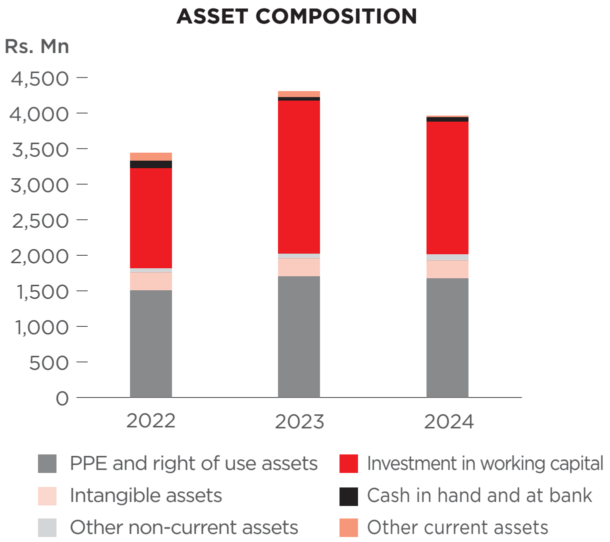
Pre and Post Tax Profits

KFP's finance costs reduced by 3% to Rs. 167 million due to gradual improvements in supply chain stability, easing of foreign exchange controls and reduction of interest rates which supported the normalisation of the Company's working capital cycles. The interest rates decreased by 1,036 basis points during the year with Company's overdraft facilities decreased from Rs. 1,163 million to Rs. 850 million. KFP recorded a pre-tax loss of Rs. 290 million during the year, primarily due to the aforementioned challenges. As a result of carried forward taxable losses, there was a tax reversal of Rs. 72 million during the year, resulting in a post tax loss of Rs. 218 million.

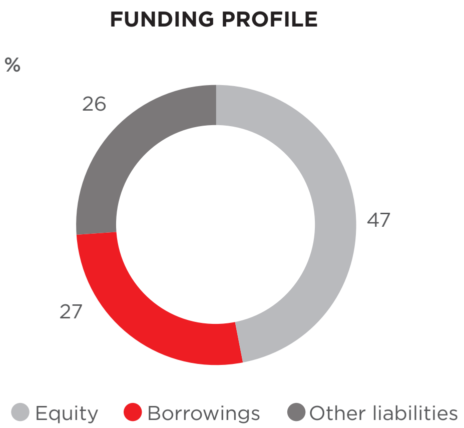
FINANCIAL POSITION AND STABILITY

During the year, the Group's total assets decreased by 8% to Rs. 3,962 million. The Group refrained from significant capital expenditure due to prevailing conditions, with capital expenditure limited to Rs. 189 million compared to Rs. 292 million in the previous year. The current assets reduced by 14%, which was driven by the easing of supply chain constraints, leading to a decrease in inventory days from 86 days to 72 days, resulting in a 26% reduction in inventory value. However, receivable days increased to 58 days from the previous year's 51 days, attributed to delayed payments from distributors due to financial constraints. The Group's funding profile remains strong with equity funding more than 47% of the Group's total assets.

FINANCIAL CAPITAL



On the liabilities side, non-current liabilities decreased as a result of reduction in the deferred tax liability. The Current liabilities marginally reduced by 3% as a result of 27% reduction in the bank overdraft offset by increasing in the current portion of interest bearing borrowings. The Group reduced its exposure to borrowings during the year, through paring down long-term debt which led to a 13% reduction in borrowings to Rs. 1,074 million. The Group's debt/equity ratio remained at 58%.



Cashflows

Due to the financial losses incurred during the year, KFP cash flow necessitated dependence on short-term borrowings to sustain operations. Net cash generated from operating actives amounted to positive Rs. 374 million, a notable 160% improvement from previous year's negative of Rs. 623 million. This improvement was driven by the normalisation of working capital cycles, led by significant reduction in inventory values.

Net cash outflow from investing activities amounted to Rs. 189 million which was a 32% reduction compared to the previous year as a result of reduced investments in capital expenditure. Net cash inflow from financing activities amounted to Rs. 143 million, reflecting higher proceeds from short term borrowings with lessor repayments and dividend payments. Consequently, the Group experienced a decline of Rs. 332 million in its net change in cash and cash equivalents, which was financed by a bank overdraft and short-term borrowings. The overdraft remained at Rs. 850 million with 27% reduction over last year. Despite facing adverse financial circumstances, KFP adeptly managed the cash flows by leveraging short-term financing facilities to ensure the continuity of the operations and fulfilled its financial obligations. The Group implemented various measures to mitigate the adverse effect on cash flows, which included curtailing capital expenditure and conducting weekly cashflow reviews. Additionally, the group was able to secure preferential lending rates and enhanced short-term facilities by establishing strong relationships with the banks.

Dividends

KFP refrained from declairing dividends for the financial year 2023/24 due to the reported post-tax loss of Rs. 218 million. This resulted in a cash-stressed situation, where preserving cash was prioritised to reduce finance costs. During the year, a final dividend relating to previous year of Rs. 0.50 per share was paid, amounting to a total payment of Rs. 12.75 million.

Shareholder Return

Shareholder Return Metric	2024	2023
Earnings per share (Rs.)	**(8.56)**	0.55
Dividend per share (Rs.)	**0.50**	2.00
Net asset value per share (Rs.)	**73.07**	82.68
Return on equity (%)	**(10.99)**	0.65
Closing share price (Rs.)	**147.00**	160.00

Due to the challenging operating conditions, shareholder value was impacted. The dividend per share decreased to Rs. 0.50, while earnings per share fell from Rs. 0.55 to a negative Rs. 8.56. In addition, by the end of March 2024, the net asset value per share had decreased by Rs. 9.61 to Rs. 73.07.

MANUFACTURED CAPITAL

The Group's production of high-quality goods that consistently adhere to industry standards is facilitated by its manufactured capital which includes Group's production facilities, machinery and other equipment which is a critical element in the process of value creation.

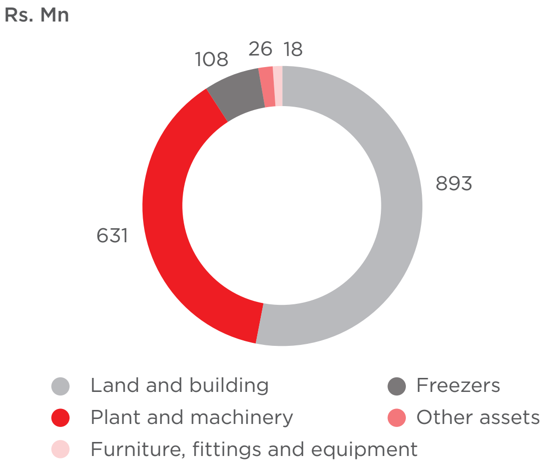
Rs. 189 Mn
Investment in Capital expenditure

04
Production facilities

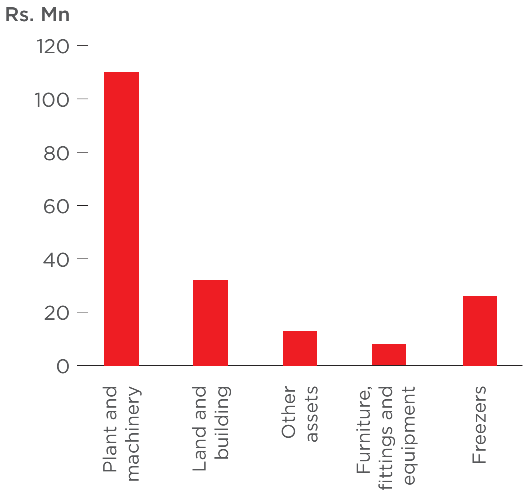
62%
Capacity utilization

Extensive **testing** conducted to identify areas for improvement to **enhance the quality** of products and continued **investment in innovation** to offer new products.

PROPERTY, PLANT & EQUIPMENT (PPE)



CAPITAL EXPENDITURE DURING THE YEAR



MANUFACTURING CAPABILITIES

KFP's manufacturing infrastructure, representing 42% of the total asset base, is a testament to our commitment to innovation and operational excellence. Our machinery is equipped with the latest advancements and innovative features, enabling us to stay at the forefront of the industry. We have integrated robust research and development (R&D) facilities and quality assurance infrastructure to ensure adherence to stringent industry standards and certifications. Through continuous improvement initiatives, we strive to uphold the highest levels of efficiency, quality, and customer satisfaction across our manufacturing operations.

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

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

MANUFACTURED CAPITAL

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

CAPITAL EXPENDITURE IN 2023/24

While economic challenges continued during the year, capital expenditure was prioritised towards enhancing production efficiencies at our largest facility in Pannala. Cost optimisation was a key focus area during the year, prompting a comprehensive review and upgrade of operational processes to identify and minimise wastages. The logistics setup underwent a complete revamp, with substantial investments in the cold chain infrastructure to ensure compliance with stringent quality standards throughout the distribution process.

Capital expenditure during the year consisted of the following:

- Rs. 73 million to upgrade Pannala plant machinery and equipment
- Rs. 13 million in upgrading cold room facility
- Rs. 11 million investment for energy efficiency improvements

OPERATIONAL EXCELLENCE

As a Company committed to delivering exceptional products while maintaining efficiency and competitiveness, we recognise the necessity of prioritizing operational excellence and cost optimisation in production. By focusing on these key areas, we ensure that our processes are streamlined, waste is minimised, and productivity is enhanced. This approach allows us to deliver high-quality products to our customers at competitive prices, thereby enhancing customer satisfaction and loyalty. We achieve operational excellence through continuous process improvement initiatives, rigorous quality control measures, and investment in cutting-edge technology.

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

- Eliminated non-vacuum products by ensuring all products meet the desired temperature standards post-packaging through rigorous inspection protocols.
- Enhanced product quality by modifying taste and texture to be ahead with competitor standards.
- Machine optimisation and efficiency improvements to minimise the wastage in packing materials.
- Implemented improvements to filling methods to reduce filling wastage in fast-moving products.
- Enhanced cooking processes and parameters to standardise cooking losses and develop overall product quality.
- Enhanced blast freezing facility to preserve nutrition, taste and other qualitative aspects of our frozen meat products, extending the cold chain.

WAY FORWARD

Through strategic investments and advancements in technology, KFP is dedicated to optimising production processes to ensure the continuous fulfillment of demand within the domestic market while broadening its reach in international markets. By leveraging innovative solutions and modernising our facilities, we aim to streamline operations, enhance efficiency, and maintain high-quality standards. Our priorities for the following year include:

- Continuing focus on reducing cooking wastage and enhancing product fill rates through further process standardization initiatives
- Enhancing pasta offerings by introducing value-added variants
- Transitioning to a stock replenishment model where the Company manages ordering for distributors to optimise efficiency and inventory management
- Expanding export category products to explore opportunities in India, Canada and Dubai

INTELLECTUAL CAPITAL

KFP's intangible assets have reinforced the Company's competitive advantage, allowing it to maintain market recognition and leadership. Our innovative capabilities together with industry leading systems and processes ensures the delivery of high-quality, value-added products that meet the emerging needs of customers.

Rs. 95 Mn
Revenue generated from new products

23
New products introduced

+45
New products in the pipeline

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

With an established history spanning over four decades, KFP has made its mark as a market leader in the processed meat industry. The brand's enduring presence and influence have been pivotal to the growth and development of the Company. KFP operates as a subsidiary within the corporate framework of the John Keells Group. The KeellsKrest brand has an estimated worth of Rs. 1,183 million and has received recognition by Brand Finance Sri Lanka, by securing a position among the top 100 brands in the nation in the year 2023. The Elephant House brand, recognised for its premium products, serves as a symbol of reliability and excellence within the portfolio of the Group. Capitalising on the well-established repute and consumer confidence linked to the KeellsKrest and Elephant House brands,

RECIPE LIBRARY

Over the years we have dedicated ourselves to expanding and refining our recipe library through constant innovation to meet the diverse and evolving needs of our discerning customers. Comprising more than 550 meticulously crafted recipes, this repository of creativity stands as a cornerstone of our intangible assets. As industry pioneers, we have leveraged our recipe library, continually pushing boundaries and introducing novel products that captivate the market's attention. We ensure that each new addition goes through rigorous testing to meet our stringent standards of excellence. During the year KFP formulated 30 recipes, out of which 23 were successfully introduced to the market.

+250
Recipes in **processed meat** range

+250
Recipes in **crumbed** range

+50
Recipes in **dry** range

RESEARCH AND DEVELOPMENT CAPABILITIES

Innovation has played a pivotal role in the success of KFP, enabling the Company to differentiate itself from competitors, anticipate customer preferences, while maintaining a responsive and flexible stance in dynamic markets. Through the collaboration with key departments such as marketing, quality assurance, and finance, our R&D team leverages their combined knowledge to identify emerging trends, conceptualise innovative products and establish new standards in the industry. Our resolute dedication to innovation is underscored by investments totalling over Rs. 27 million in research and development over the past 3 years. The continuous investment in R&D has culminated in the successful

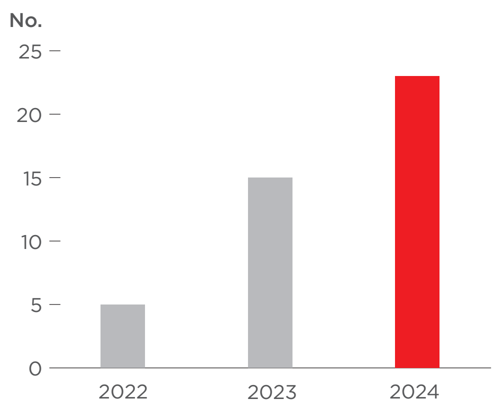
INTELLECTUAL CAPITAL

development of 23 products during the year that resonate with the ever-changing needs of customers, driving sustained growth for the Group. Stringent testing protocols are implemented in the test kitchen and the state-of-the-art laboratory ensures that products meet the highest standards of quality, safety, and regulatory compliance. By adhering to stringent quality standards, we safeguard the well-being of consumers while fortifying our reputation as a trusted manufacturer of premium food products.

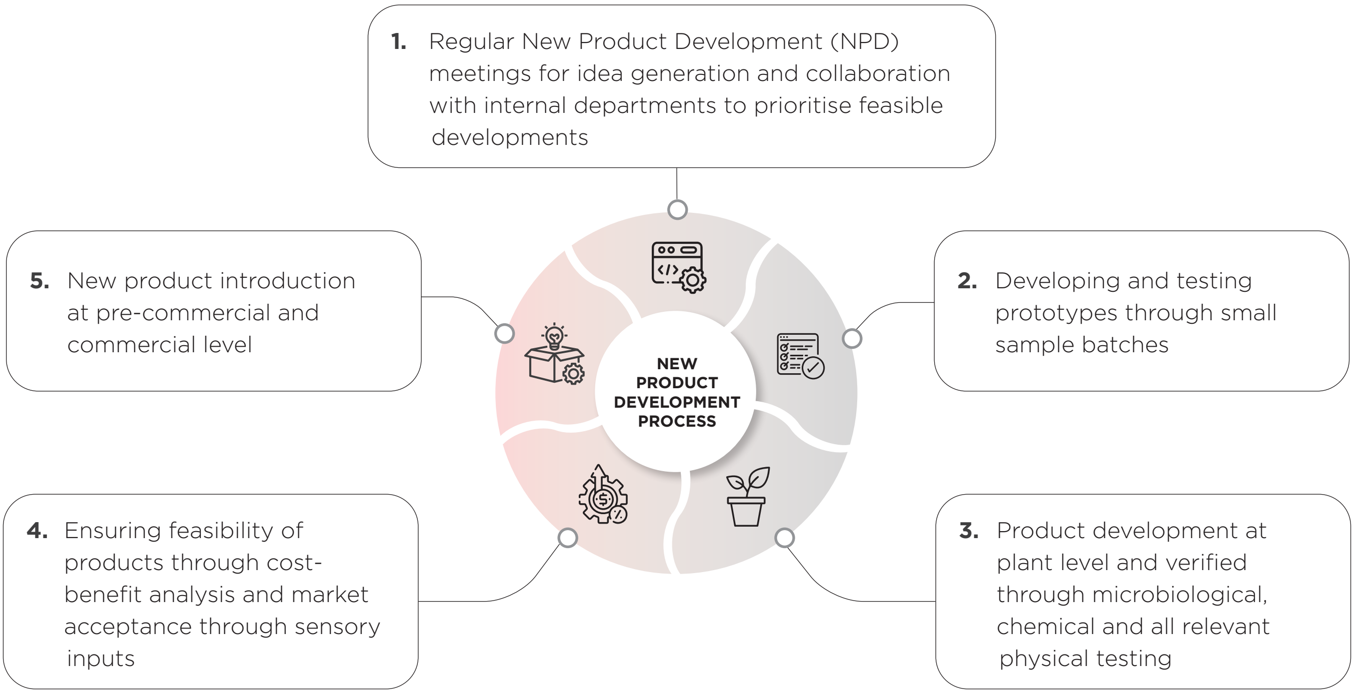
These are the key developments during the year.

- Expansion of the dry range with the introduction of KeellsKrest Pasta
- Diversifying within the Soya meats range by adding Tandoori Soya Meat
- Finagle operation's portfolio enhancement with the addition of Prawn Spring Rolls
- Introducing sausage platters for the "Machan" chain of restaurants
- Introduction of new products for SriLankan catering including Smoky Chicken Breast, Chicken Bacon, Chicken Vienna Sausage and Chicken Lingus
- Modifying the breadcrumbs composition for all formed meats
- Providing affordable offering by adding two stick Big Chicken Sausage 120g pack

NEW PRODUCTS LAUNCHED



NEW PRODUCT DEVELOPMENT PROCESS



SYSTEMS, STANDARDS AND PROCESSES

We adhere to a comprehensive array of certifications and accreditations showcasing our compliance with stringent regulatory requirements and industry standards. Our certifications cover a wide spectrum of areas such as customer health and food safety, product quality, and environmental sustainability. Through the diligent implementation of robust systems and processes we have nurtured a culture of excellence within our organisation, enabling us to mitigate risks, enhance operational efficiency, and ultimately safeguard the health and safety of our valued customers. During the year there were no incidents of food safety violations and there were no food product recalls. Key certifications and affiliations are listed below:

100% SLS certified products in Pannala manufacturing facility

WAY FORWARD

- Introduce exciting new flavours to the product line and develop convenient, ready-to-cook options that cater to busy lifestyles.
- Continuous focus on improving the quality of products offered through product re-engineering and innovation.
- Introduce new products in the pasta range to diversity the dry category.

The Way We Work - Certifications, Policies and Regulatory Acts

Certifications	**ISO 9001:2015** – Assurance on processes implemented for ensuring highest standard of quality across all operational aspects. **ISO 22000:2018** – Assurance on the ability to control food safety hazards, ensuring suitability for human consumption **Halal Certification** - Attests that a product is manufactured in full compliance with Halal Accreditation Council (HAC) guidelines	**SLS 1218** - Products quality and safety standards for comminuted meat products **SLS 1146** - Products quality and safety standards for ham products
Policies	**KFP Quality Policy:** • Quality, safety, convenience, and nutrition • Compliance to legislations • Following standards and best practices • Timely delivery • Continuous improvement • Competency development	**KFP Food Safety Policy:** • Manufacturing facilities • Best food safety practices • Employee training and upgrading knowledge. • Compliance to legislations • Following standards • Integrity and trust
Regulatory Acts	• Consumer Affairs Authority Act No. 9 of 2003	• Food Act No. 26 of 1980
	• National Environmental Act No. 47 of 1980	

HUMAN CAPITAL

In the face of a challenging operating environment, our team continued to demonstrate fortitude and adaptability. Employees embraced the spirit of innovation to maintain business continuity and capitalised on opportunities through collaborative efforts.

Rs. 9 Mn
Investment in training

67%
Permanent employees

17
Promotions during the year

Our commitment to **diversity, inclusivity** and **equity** is embedded in our HR processes, from **recruitment** and **training opportunities** to **remuneration** and **promotions**.

MANAGEMENT APPROACH

Our Human Resource policies and procedures are designed to reflect those of our parent entity, John Keells Holdings, ensuring seamless alignment with industry-leading standards. Our comprehensive policy framework underpins our organisational ethos to uphold fairness and equality for all employees and committed to avoid child labour and forced/compulsory labour practices. Our policies undergo periodic reviews and revisions to ensure adherence to current regulatory requirements and to incorporate emerging industry best practices.

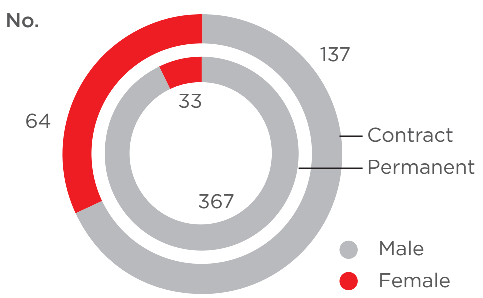
TEAM PROFILE

Our KFP team comprises of 601 employees, with 67% employed on a permanent basis and 201 employees are contract staff. The Group has over 56% of employees that have served for at least 5 years in the Company while 54% of employees are below the age of 40 years. All employees are engaged on a full-time basis. We are an equal-opportunity employer and strive to create an environment in which our employees are not discriminated against because of their race, religion, gender, age, nationality, social origin, being differently abled, sexual orientation, gender identity, political affiliation, and opinion.

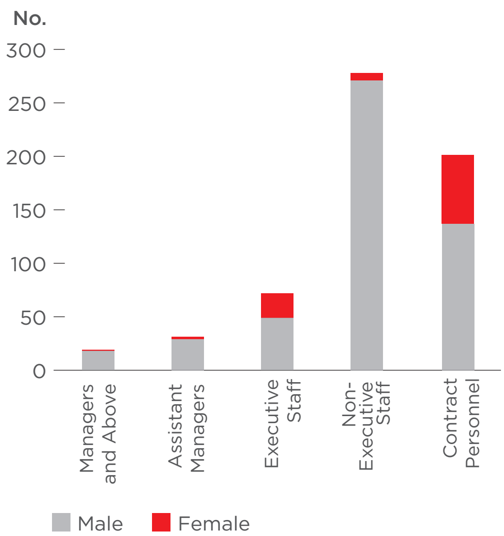
Relevant HR Policies

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

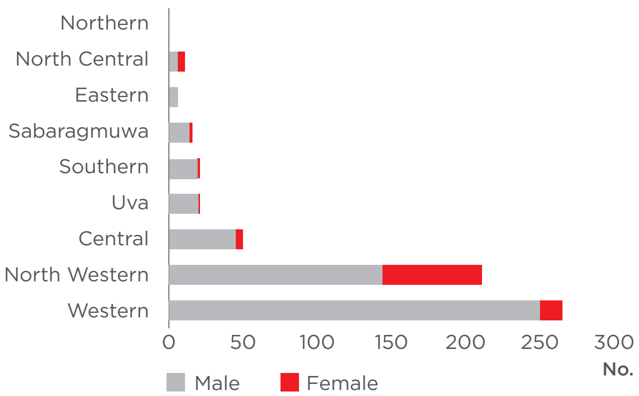
EMPLOYEES BY CONTRACT AND GENDER



EMPLOYEES BY CATEGORY AND GENDER



EMPLOYEES BY REGION AND GENDER



1.4 **1.4**

Standard entry level wage by gender compared to local minimum wage

33%

Senior management hired from the local community

TALENT MOVEMENTS DURING 2023/2024

Talent Recruitment:

KFP's recruitment process is conducted in accordance with the formal and transparent procedures outlined in our recruitment policy. We strive to appeal to the best talent in the industry by providing a comprehensive employee value proposition that encompasses competitive compensation, growth prospects, and career advancement opportunities. During the year 99 new employees were hired to replace vacancies. Addressing attrition, particularly among front-line and sales staff, posed a significant challenge during the year. To counteract this turnover, we implemented various measures to replenish the talent pool.

The following initiatives were taken throughout the year to strengthen our sourcing strategy:

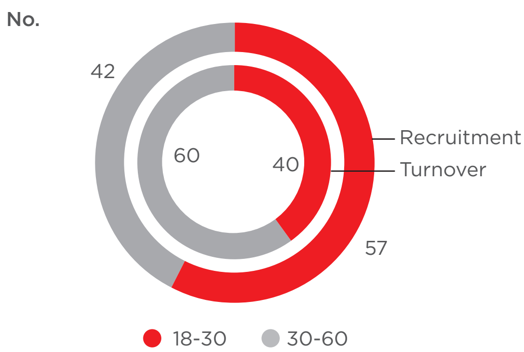
- Participating in career fairs to engage with potential candidates and leveraging employee referrals.
- Driving collective sector-level initiatives to maximise efforts to attract talent.
- Conducting career guidance sessions to offer support to individuals in their professional journey.
- Collaborating with educational institutions and professional organisations to offer internship programmes.
- Conducting the Skill-fit Programme which is tailored to develop executive-level competencies, ensuring a robust talent pipeline for future leadership roles.

Talent Retention:

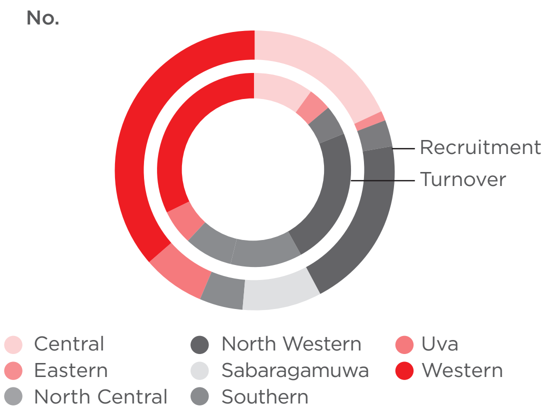
Our robust employee value proposition, built on a heritage spanning over 40 years continues to reinforce our position as an employer of choice. This has resulted in commendable retention levels. During the year, our overall retention rate was 83% while retention of female employees was 93%.

The movements in our permanent carder are presented graphically below:

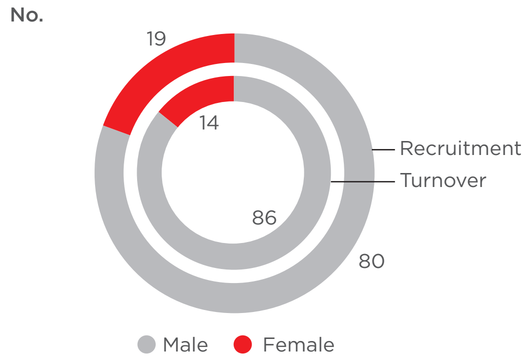
RECRUITMENT AND TURNOVER BY AGE GROUP



RECRUITMENT AND TURNOVER BY REGION



RECRUITMENT AND TURNOVER BY GENDER



HUMAN CAPITAL

HEALTH AND SAFETY

The Group has implemented a comprehensive Occupational Health & Safety Policy which function as a governing structure for organisation-wide initiatives aimed at safeguarding the well-being of all employees. This policy encompasses a range of measures and protocols designed to mitigate risks and promote a culture of safety across the organization. A Health and Safety Committee, comprising representatives from each department, convenes regularly to evaluate and enhance existing health and safety systems. Few initiatives that reflect our proactive approach to managing health and safety risks are as follows:

- Monthly Safety Meetings: Proactive measure to assess the progress and effectiveness of our Health & Safety (H&S) management system
- Annual Hazard Identification and Risk Assessment (HIRA): Identification of potential hazards and mitigating risks to enhance the overall safety of our operations
- Annual Occupational Exposure Measurement: Annual testing is conducted to monitor the impact of the factory environment on employees' health and well-being.
- Adherence of ISO 45001:2018 Management System: This internationally recognised standard provides a framework for implementing an effective H&S management system, ensuring compliance with regulatory requirements and best practices.
- Dedicated Safety Manager: A Responsible Manager appointed to oversee potential hazards, conduct risk assessments, and implement preventive measures to mitigate potential risks.

Health and safety related benefits provided to employees include:

- Implementation of the SHE App to improve health and safety measures by allowing users to report incidents, hazards, and near misses
- Mandatory annual health checkup for food handlers
- Health screening package for the employees, including a consultation with a physician
- Medical insurance coverage for all staff

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

Work related ill health **0**
Occupational injuries **6**
Total No. of man days lost due to occupational injuries **71.5**

HEALTH AND SAFETY TRAININGS

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

EMPLOYEE ENGAGEMENT AND WELL-BEING

Employee engagement plays a crucial role in cultivating a positive work culture, which is essential for ensuring the long-term success and sustainability of the Company. Engaged employees demonstrate higher levels of motivation and commitment to their work, resulting in increased productivity and maintaining a stable and cohesive workforce. Few engagement activities during the year are as follows:

"The Vesak Dansala" organised by KFP was held in Makandura, Pannala. The event's success was predominantly credited to the exceptional initiatives of the Pannala Factory staff.

Battle of the Sales Warriors - Cricket Tournament which was held at the Angampitiya Playground - Pitakotte featured thirteen teams, each of which represented a sales region or channel across the entire island.

Staff Annual Day Trip was organised for Pannala non-executive staff at Seethawaka Miracle Nature Resort in Awissawella.

To encourage employees to adopt a more health-conscious lifestyle, we have organised a health screening programme. The employees were provided with a medical record book and complimentary consultations following their medical examinations.

The Company hosted its yearly Christmas celebration at its Ekala and Pannala locations, where families of employees of all categories gathered to take part in an enchanting evening featuring delectable cuisine and captivating music.

Employee welfare and well-being were prioritised throughout the year, marked by the implementation of various initiatives:

- "Savimath Manasak, Suwapath Diviyak" programme conducted by experts and psychologists sponsored by the Company, aimed at promoting psychological well-being among employees
- Provision of monthly dry ration packs worth Rs. 5,000/- exclusively for non-executive staff in the 1st half of the financial year
- Continued to offer discounted rates for Company products for all employees
- Modernizing and upgrading the workplace to enhance the overall atmosphere and create a comfortable work environment for staff members

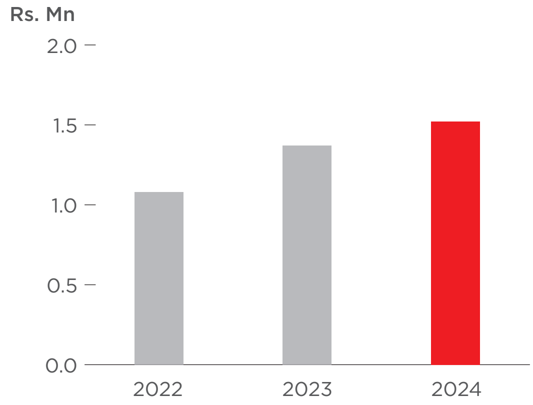
RELATIONSHIPS WITH TRADE UNIONS

We recognise our employees' right to collective bargaining, and 33% of our permanent employees are represented by trade unions and covered by collective bargaining agreements with one trade union. The Management maintains open dialogue with the trade union and two weeks' notice period is provided prior to making any major operational changes. Negotiations were carried out during the year, particularly concerning the restructuring and redefinition of job roles. Initiatives were taken to promote the welfare of employees through the provision of dry rations, helping to mitigate the financial burden that accompanied a period of economic adversity.

REMUNERATION AND BENEFITS

The remuneration and benefits framework is designed to incentivise, retain, and attract exceptional personnel, thereby fostering a culture that is performance oriented. We are committed to offering all employees competitive remuneration packages that align with industry standards, ensuring fairness and equity across the board. Our compensation practices are transparent and merit-based, with no discrimination based on gender. Despite the challenging operating environment, all employees were paid remuneration and increments. During the year, Rs. 918 million was paid as remuneration to employees, which is an increase of 23% in comparison to the previous year.

REMUNERATION PER EMPLOYEE



Other benefits provided by the Company includes:

MEDICAL
- Medical insurance for both inpatient and outpatient departments
- Workmen's compensation for non-executive staff
- Personal accident cover for all staff members
- Critical Illness Cover for all staff members

FINANCIAL
- Festival advances
- Productivity and attendance incentives
- Special allowances
- Care packages to non-executive staff

RETIREMENT
- Contributions of 12% and 3% to EPF and ETF respectively
- Retirement gratuity for employees with over 5 years of service

OTHER
- Company products at discounted prices.

HUMAN CAPITAL

PERFORMANCE MANAGEMENT

The Company has established a transparent and equitable assessment process where all employees undergo evaluation based on established Key Performance Indicators (KPIs) aligned with the Company's goals. Annual performance appraisals cover the entire workforce and employee performance is duly recognised and rewarded through salary increments, annual bonuses, and promotions to foster a culture of meritocracy. The sales team receives performance incentives tied to predefined targets on a monthly basis, to drive productivity.

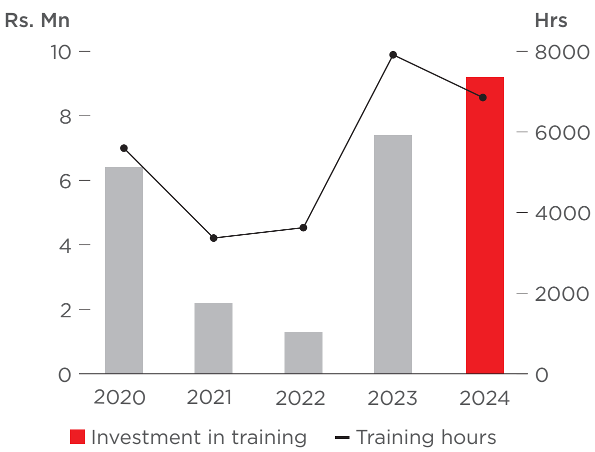
EMPLOYEE RECOGNITION AND REWARDS

To recognise our employees' outstanding efforts in driving our organisation's success, we host a range of employee recognition programmes. The John Keells Group's "BRAVO" award system is specifically designed to honour individuals who demonstrate exceptional dedication in advancing the Group’s strategic objectives. Over the past year, we have celebrated the remarkable contributions of 14 workers by presenting them with BRAVO certificates.

TRAINING AND DEVELOPMENT

KFP has implemented a comprehensive approach to learning and development aimed at nurturing and managing talent effectively. The training needs of employees are identified as part of the annual performance appraisal process and interventions are designed to address both personal and professional growth. We collaborate with internal resources and external partners to develop customised training programmes. During the past year, a total investment of Rs. 9 million was allocated to training initiatives with employees collectively undergoing 6,853 hours of training.

TRAINING & DEVELOPMENT



Key training programmes conducted during the year are listed below:

COMPLIANCE TRAININGS

- Fire Training
- First Aid Training
- Awareness Session on Ammonia Leakage
- ISO 9001,22000,45001 Internal Auditor Trainings
- Good Manufacturing Practices

TECHNICAL TRAININGS

- Microbiology Workshop
- Electrical Safety
- Power BI Training
- Finance for non-finance.
- Brand Manager by Miami Ad School
- Energy Management Training
- Hiring Manager Training
- HACCP Implementation

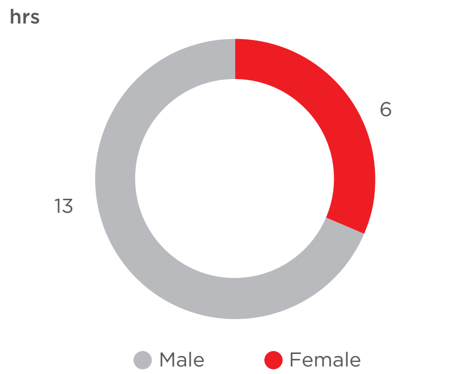
SOFT SKILLS TRAINING

- Counselling and Guidance
- Business Communication Skills
- Embracing Marvel Moments (Activity based training programme to foster Company core values)
- Customer Service Training
- Time and Task Management

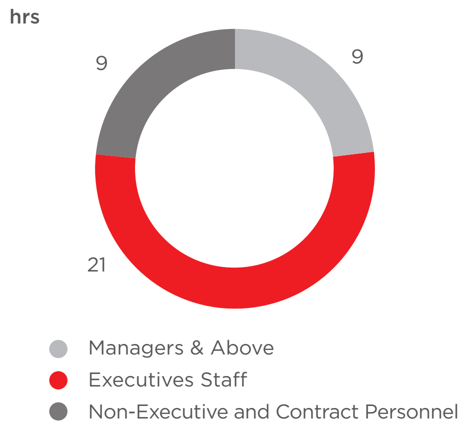
SALES TRAININGS

- Sales Warriors
- Sales Management Master Class
- Supervisory Skills Training

AVERAGE TRAINING HOURS BY GENDER



AVERAGE TRAINING HOURS BY CATEGORY



DIVERSITY, EQUITY AND INCLUSION

As an equal opportunity employer, we adhere to policies and practices aligned with the JKH Group's ONE JKH Programme, which is dedicated to fostering inclusivity in the workplace. Our HR practices and processes are designed to ensure equal employment opportunities and remuneration for all employees, regardless of their background. Employees are encouraged and provided with opportunities to report any incidents of discrimination. The Group does not discriminate by gender identity, race, religion, sexual orientation, age or ability when promoting employees. There were no reported incidents of discrimination during the year.

We are committed to empowering women to achieve their utmost capabilities with the object of improving women participation in the workforce to 19% by 2025/26, in line with our overarching dedication to inclusivity. By gathering insights from female employees, we developed training and development programmes based on their feedback and were able to deliver 3 programmes throughout the financial year, named, "Shattering the glass ceiling", "Professional Grooming" and "Leading as an authentically empowered Women". We ensure gender diversity throughout our recruitment process wherever applicable and final recruitment is based on the candidate's merit. We have created a female-friendly work environment by providing daycare facilities for children and offer hygiene products for female employees. These initiatives strive to create a supportive and inclusive workplace in which women can excel professionally while maintaining a healthy work-life balance.

WOMEN CENTRIC TRAINING PROGRAMMES

As part of our Diversity, Equity, and Inclusion (DE&I) efforts within the consumer food sector, KFP has initiated women-centric training programmes to empower and support female executives.

The first programme, "Shattering the Glass Ceiling, Empowering Women to Rise and Lead," aimed to equip female executives with the tools and strategies necessary to overcome barriers and ascend to leadership positions.

Subsequently, KFP launched the "Professional Grooming" programme, which focused on enhancing the professional image and presence of female executives.

An online session titled "Leading as an Authentically Empowered Woman" was organised for female executives and above levels within the Consumer Food Sector and provided a platform for engagement and discussion on topics related to authentic leadership and empowerment.

WAY FORWARD

The Sector's HR priorities for 2024/25 will focus broadly on the following areas:

- Focus on employer branding and strengthening recruitment channels
- Sector-wise initiatives with region-wide programmes to engage the sales force
- Development of an Employee Value Proposition (EVP) to enhance retention
- Inspiring Employees through employee engagement, well-being and welfare initiatives

SOCIAL AND RELATIONSHIP CAPITAL

By fostering strong partnerships and open communication, we were able to address obstacles and seize opportunities, ultimately creating mutual benefits and nurturing long-term relationships.

23
New suppliers

14
New distributors

Rs. 3 Mn
Investment in CSR

Extensive market penetration with **54 distributors and +29,000 retail outlets** serving all parts of the country.

CUSTOMERS

Over the last four decades, KFP has cultivated a reputation for quality and trustworthiness, positioning it as a preferred choice in Sri Lanka's sausages and meatballs retail market. KFP has solidified its presence across all provinces through strategic partnerships with 54 distributors. With a broad customer base spanning individuals, families, prestigious hotels, restaurants, and catering establishments, KFP has earned the loyalty of over 29,000 outlets island wide. Being attuned to evolving consumer preferences, KFP meticulously refines its product portfolio to cater to a diverse range of budgets and tastes, ensuring its continued appeal across various demographics.

CUSTOMER VALUE CREATION

While market challenges continued during the year, KFP continued to cultivate its customer relationships by presenting a diverse range of premium-quality products. Our production procedures are governed by stringent quality control protocols and incorporate state-of-the-art technology to ensure the superiority of our offerings. Despite encountering market disruptions in the form of unbranded, substandard products, KFP remained responsive by adjusting its product portfolio to meet the evolving demands of consumers while maintaining the assured quality. This included the introduction of new products and the repositioning of existing items to maintain relevance and meet customer satisfaction.

Our overall consumer strategy for the year is outlined below:

Maintained market share in both Sausage and Meatball categories

QUALITY AND TRUST

The Group is dedicated to upholding the highest quality standards, facilitated by rigorous internal policies concerning food quality and safety and adheres to a variety of certifications.

- Continued compliance with ISO 22000:2018, ISO 9001:2015, Halal certification, GMP and HACCP
- Comprehensive approach to ensuring that all products meet specific criteria aimed at promoting consumer health and well-being
- Selecting ingredients with optimal nutritional profiles, minimising the use of artificial additives or preservatives and providing clear and accurate nutritional information on packaging labels
- Actively engaging in research and development efforts to create healthier product alternatives
- Regular testing of ingredients, strict adherence to standardised recipes, and continuous monitoring of critical control points to prevent any potential contamination or deviation from safety protocols

COMMITMENT TO INNOVATION

The Group's robust R&D capabilities have empowered it to consistently innovate and introduce a diverse array of products that remain relevant to prevailing market conditions. The timely identification of shifts in market demand, coupled with agility in response, has enabled KFP to enhance and refine the quality of existing products to align with contemporary requirements.

- Elevating the overall quality of products within key categories through a rigorous focus on taste excellence. This entails implementing a comprehensive quality assurance process from start to finish to ensure that all products excel in blind testing scenarios.
- Products such as Kochchi bites have been redesigned and improved to correspond with the recently introduced spicy range, aimed at maintaining the competitiveness of the crumbed range category.
- Tandoori chicken flavoured soya meat was introduced as the fifth flavour within the KFP soya meat range.
- The introduction of new Chifferi and Seashell pasta varieties under the KeellsKrest brand to further penetrate the dry category market.

VARIETY AND AFFORDABILITY

Amidst ongoing economic challenges throughout the year, customers remained price-conscious due to constraints on disposable income. To cater to both quality and price-conscious consumers, KFP offered affordable product propositions featuring a variety of flavours at various price points.

- Modifications in the packaging sizes of selected retail SKUs to enhance the perceived value-for-money of our products among consumers. This involved adjusting packing configurations and increasing the quantity of items within SKUs (e.g., Handy pack 350g, Bockwurst 1Kg, etc.).
- The pricing of our core retail sausage and meat balls SKUs along with the bulk Chicken Bockwurst, was revised to enhance the competitiveness of our top-performing SKUs.
- Introduction of Oktoberfest products in affordable pack size of 250g.

CUSTOMER ENGAGEMENT

KFP utilises a variety of communication platforms in order to augment the frequency and quality of consumer interaction.

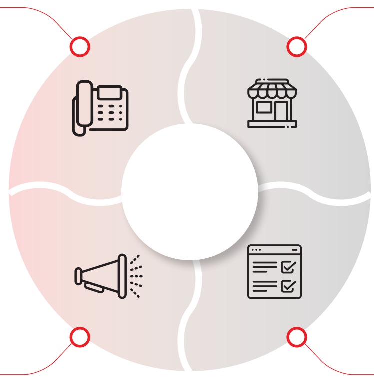
COMMUNICATION PLATFORMS

CUSTOMER HOTLINE

- 2 Customer care agents
- 100% Customer complaints resolved

CUSTOMER TOUCHPOINTS

- 54 Distributors
- +29,000 Retail Outlets



CUSTOMER REACH

- 1.6 million customer touch points through activations
- Rs. 236 million in brand building initiatives

DIGITAL INTERACTION

- Retail Website
- 7 Social Media Platforms

SOCIAL AND RELATIONSHIP CAPITAL

Customer engagement across multiple touchpoints is monitored through various tools to gain valuable insights into customer behaviour, preferences, and interactions. This approach allows KFP to understand the customer journey, to tailor strategies that effectively engage and resonate with our target audience. KFP maintains a dedicated customer service hotline equipped to receive and promptly resolve customer complaints within 48 hours. Complaints are categorised as serious, major, or minor and during the year there were no serious or major complaints, while all minor complaints were swiftly addressed.

The Food Act No.26 of 1980, the Food (labelling and advertising) Regulations 2005, and the Consumer Affairs Authority Act No.9 of 2003 govern the marketing and labelling of our products. The International Chamber of Commerce (ICC) Code of Advertising and Marketing Communications, a self-regulatory framework that advocates for elevated ethical standards in advertising, additionally influences our marketing communications. 44% of advertising impressions are encountered by children, while 50% of advertisements directed towards children endorse products that adhere to dietary guidelines.

Our product labels include information pertaining to the product, date of manufacture, expiry date, weight, and ingredients and nutrition among others. There were no occurrences of non-compliance with regulations or voluntary codes pertaining to product and service labelling, marketing communications, data privacy violations, and other relevant areas throughout the year. None of our products are labelled as containing genetically modified organisms (GMOs).

CHANNEL PARTNERS

KFP adopts a multi-channel distribution strategy to maximise the reach of its products across diverse consumer segments. This strategy encompasses various distribution channels including General Trade, Modern Trade and HoReCa channels. This approach has allowed KFP to ensure extensive product reach covering all provinces within the country. Through General Trade, KFP taps into traditional retail outlets catering to a broad spectrum of consumers with convenience and accessibility. Modern Trade channels which involve supermarkets and retail chains offer a wider assortment and enhanced visibility for KFP products. The hospitality sector is approached through partnerships with hotels, restaurants, and catering services within the HoReCa channels, allowing KFP to enhance brand exposure and customer accessibility.

CHANNELS

GENERAL TRADE

- Introducing products in smaller pack sizes to enhance the customer affordability.
- Dropped prices in sausages, meatball, soya range, and canned products across 26 SKUs in response to consumer price sensitivity

HORECA

- Forming partnerships with restaurants and pubs to expand market presence and offerings
- Increased opportunities in the domain of 'Happy Channels,' which encompass outdoor events and gathering
- Emergence of new competitors in our market domain, resulting in increased competitiveness
- Offering customised products upon request to meet specific customer needs

MODERN TRADE

- Sampling and brand engaging activities conducted quarterly to enhance shopper experience and drive volume performance
- Expansion of ambient range to expand beyond freezer aisle and ensure brand availability on dry shelves
- Portfolio expansion into pasta range with two varieties
- Launch of limited-edition Oktoberfest range with 4 retail SKUs under Elephant House range

EXPORT

- Expanding our footprint in to new markets in India, Canada and Dubai while driving growth in Maldives
- Commence manufacture of our well loved product range in Australia under a joint venture

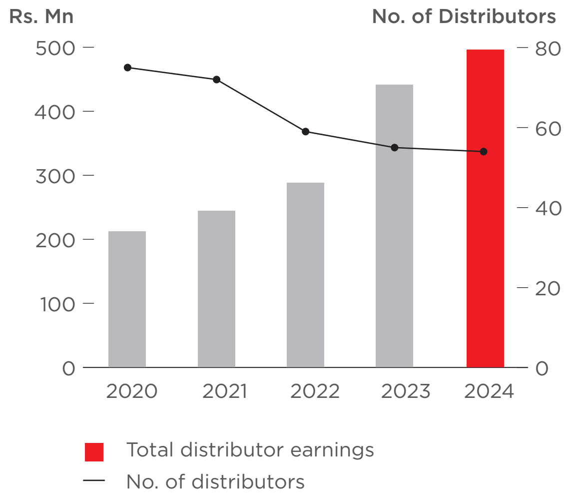
DISTRIBUTOR VALUE CREATION

Continued economic hardships posed challenges to the financial viability of distributors, prompting the need for their replacement. Market slowdowns in consumption, delayed credit collections, and increased operational costs led to several distributor closures during the year. However, new distributors were swiftly appointed to ensure uninterrupted service to customers in those regions.

Key developments during the year include the following:

- Implementation of daily KPI monitoring to optimise distributor profitability
- Installation of temperature monitors to help distributors maintain optimum temperatures suitable for the quality of frozen goods
- Installation of GPS trackers for real time fleet management to improve efficiency and reduce delivery times
- Distributor ordering done on pre-planned basis with scheduled ordering and delivery dates to enhance operational efficiency and to optimise inventory

DISTRIBUTOR EARNINGS



SUPPLIERS

Our supply chain operates with a two-tiered structure, with Tier 1 suppliers comprising corporates and large-scale farmers, and Tier II suppliers consisting of small-scale farmers and out-growers. Approximately 90% of the Group's raw materials are sourced locally, playing a significant role in advancing the country's social and economic landscape. We recognise the importance of supporting small and medium-sized suppliers by ensuring consistent demand for their products, offering competitive pricing, and facilitating avenues for them to enhance their production capacity. With the easing of import restrictions and improved fuel sourcing, both domestic and foreign supply returned to normal levels during the year. To mitigate dependency on specific suppliers, we have expanded our supplier base by 23 during the year.

33 Pork Suppliers

12 Poultry Suppliers

07 Vegetable Suppliers

06 Spice Suppliers

Rs. 4,826 Mn Payments to Suppliers

QUALITY ACROSS THE SUPPLY CHAIN

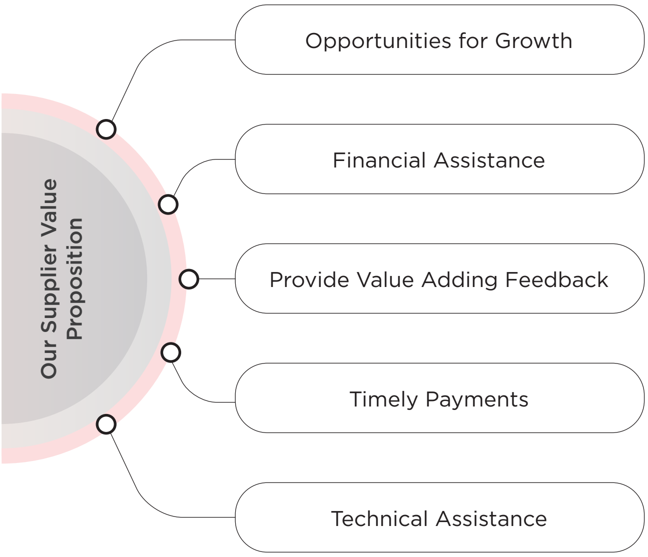
In our supplier selection process, we adhere to rigorous guidelines aimed at upholding the quality of raw materials. Suppliers are mandated to adhere to a variety of certifications. We conduct regular audits of suppliers to verify compliance with all relevant criteria, encompassing social and environmental standards. In the past year, we evaluated 23 new suppliers and conducted 58 audits for existing suppliers, identifying zero instances of non-compliance. All ingredients sourced are not from high or extremely high baseline water stress regions.

Supplier Assessment Criteria:

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

Our procurement strategy aims to generate sustainable and mutually beneficial value for our suppliers, surpassing mere transactional purchasing. The diagram below provides an illustration of the supplier value proposition.

SOCIAL AND RELATIONSHIP CAPITAL



INDUSTRY PARTNERSHIPS

As an organisation that is a member of several industry associations, KFP collaborates with a multitude of external institutions on matters and concerns that influence the development of the industry.

Membership Associations

- Ceylon Chamber of Commerce
- Ceylon National Chamber of Industries
- National Chamber of Commerce
- National Chamber of Exports
- Export Development Board
- Employee Federation of Ceylon

COMMUNITY

The Group's approach to community engagement and Corporate Social Responsibility (CSR) mirrors that of its parent company, John Keells Holding PLC. Committed to uplifting marginalised sectors nationwide, the Group aims to effect transformative change. Aligned with the vision of 'Empowering the Nation for Tomorrow,' our CSR initiatives undergo careful selection to ensure they effectively contribute to our overarching goals and create meaningful impact in the communities we serve. Our efforts have been concentrated on supporting the neighboring communities surrounding our operations.

Initiatives by KFP during the year include the following:

English Language Scholarship Programme (JKELSP) with John Keells Foundation

This curriculum enables underprivileged school children to improve their English communication skills in order to further develop their higher education and career prospects. We broadened our assistance to students from similar socioeconomic backgrounds in this year, with a specific emphasis on the following schools:

- Kandanegedara Jinarathna Maha Vidyalaya
- Nedalagamuwa Rahula Maha Vidyalaya
- Bopitiya Maha Vidyalaya

Substance Abuse Prevention Awareness and Art Competition

In recognition of the International Day Against Drug Abuse, a school-based awareness initiative for school children in Ja-Ela was organised by the John Keells Foundation.

Mushroom Cultivation Project
A mushroom cultivation project was launched under John Keells Foundation Praja Shakthi by John Keells Foundation & Keells Food Products PLC. The primary goal of this initiative is to increase the number of mushroom farmers in Ja-Ela area to satisfy market demands, all while fostering entrepreneurship and facilitating sustainable income generation within the community.

Nutritional Awareness Programme
In collaboration with the Scaling Up Nutrition People's Forum, John Keells Foundation organised Nutritional Awareness Programmes in schools located in the Ja-Ela area. These programmes were designed to elevate awareness of nutrition and advocate for sustainable practices among students and the community.

The KFP Group did not have any contracts or lenders with government institutions during the year.

WAY FORWARD

We're dedicated to strengthening partnerships across our value chain, prioritising responsible sourcing and engaging consumers effectively. Additionally, we're committed to supporting the communities we're a part of, through initiatives aimed at sustainable development and positive impact.

- Partner with distributors to analyse cost drivers and improve operational efficiency for mutual benefit.
- Optimise costs and enhance distribution channels for Soya product line.
- Explore alternative distribution channels to reach new customer segments with tailored, value-added products.
- Continuously develop relationships with new suppliers and farmers to secure supply chain and ensure competitive pricing.
- Enhance focus on HoReCa channels by forming partnerships with restaurants and pubs
- Diversify the supplier base to minimise reliance on specific suppliers

NATURAL CAPITAL

We prioritise sustainability and environmental stewardship, with the aim to minimise our ecological footprint while ensuring the long-term viability of our business operations

226KW Solar Power

4,632 tCO2e Carbon Footprint

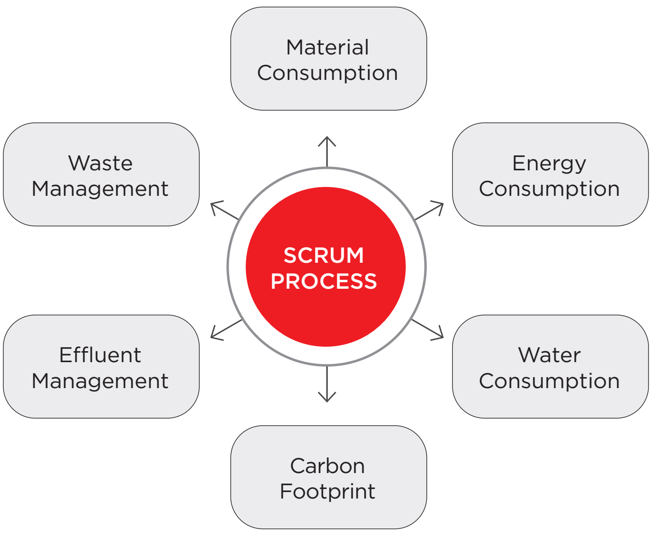
5 Energy saving initiatives

Elevate environmental commitment by emphasizing our **proactive approach** to identifying and mitigating **environmental risks** and optimizing **resource efficiency**.

MANAGING OUR ENVIRONMENTAL IMPACT

KFP has adopted an environmental management strategy that is in line with the principles outlined by John Keells Holdings, which establishes comprehensive environmental objectives for the Group and incorporates an approved policy framework to guide its sustainability initiatives. By means of regular reporting to the Board of Directors and senior management, environmental concerns are monitored and managed consistently in accordance with established processes and procedures. KFP has set forth objectives to achieve consistent and sustainable reductions in its environmental footprint, which are consistent with the overarching environmental aspirations of the John Keells Group.

Environment Management Framework



Governed by compliance to CEA regulations and Internal Standards

Environmental Targets for 2025

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

ENVIRONMENTAL COMPLIANCE

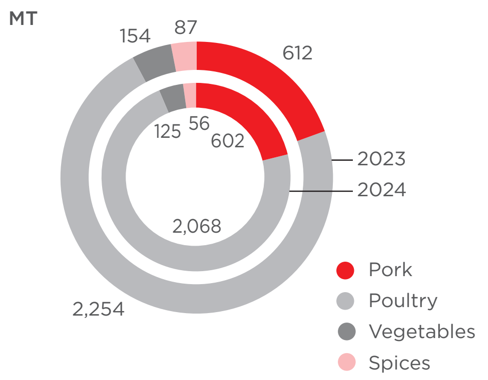
The Environmental Protection License (EPL) ensures our steadfast commitment to maintaining stringent environmental standards throughout the manufacturing facilities. This certification denotes our adherence to the strict regulations instituted by the Central Environmental Authority, guaranteeing that our activities are carried out in a manner that mitigates ecological harm and advances the cause of sustainability. In line with our steadfast commitment to sustainable business practices, the Company is actively pursuing to obtain certification under the ISO 14001:2015 Environmental Management System. This internationally recognised standard will further solidify our environmental management processes, emphasising our proactive approach to identifying and mitigating environmental risks, optimising resource efficiency, and continuously improving our environmental performance.

Conducting comprehensive internal audits and generating compliance reports has enabled us to identify areas for improvement and implement corrective measures as necessary. During the year under review, there were no instances of non-compliance with environmental regulations and/ or voluntary standards.

MATERIALS

Our manufacturing process is based on primary raw materials such as poultry, pork, vegetables, spices and other additives, all of which are renewable natural resources. We prioritise sourcing these materials from reliable vendors who meet our environmental criteria. To enhance environmental consciousness throughout our supply chain, suppliers are required to obtain certifications in accordance with our Social and Relationship Capital framework. Furthermore, we have collaborated with the Island Climate Initiative (ICI) to investigate eco-friendly alternatives for lowering polythene usage in our packaging.

RAW MATERIAL CONSUMPTION



ENERGY

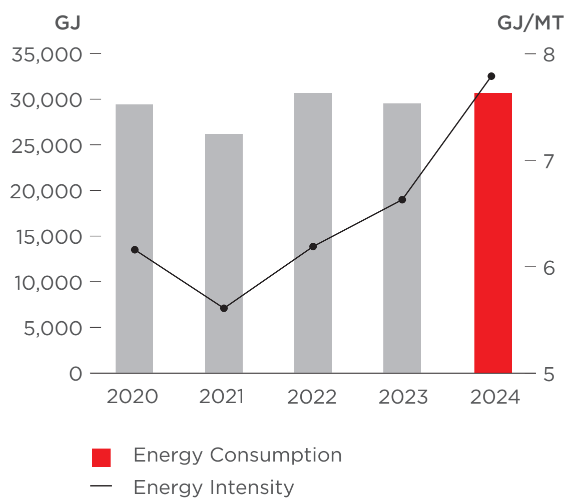
Despite our manufacturing process being relatively energy-intensive, we diligently monitor the usage of non-renewable energy sources to effectively manage consumption. Our primary energy sources include furnace oil, diesel, LP gas, and electricity. Over the past year, our energy consumption has risen by 4%, while energy intensity has surged by 18% mainly due to lower levels of production and process changes to enhance product quality. During the year we installed a new freezer unit at the Pannala factory and modified cold rooms at the Ekala factory to meet supply chain requirements, leading to higher energy usage. The following energy-saving initiatives were also implemented to minimise the overall increase in energy consumption for the year.

- Installation of capacitor banks to enhance the energy efficiencies in both Pannala and Ekala factories.
- Conducting a level 3 energy audit with a third party at the Pannala factory to identify energy savings opportunities.
- Enhancing daily monitoring and reviewing of the energy management system.
- Implementing energy efficiency and energy review as mandatory steps in the CAPEX process.
- Increasing energy awareness through training on the energy management system.

Energy Consumption

	2024	2023	Change y-o-y
Furnace oil (Liters)	**248,935**	224,287	11%
Diesel (Liters)	**83,453**	73,229	14%
Electricity (kwh)	**5,609,081**	5,465,354	3%
LPG (KG)	**2,063**	2,701	-24%
Total energy consumption (GJ)	**30,702**	29,511	4%

ENERGY



WATER

Water usage plays a pivotal role in the food processing industry, particularly due to the stringent hygiene and cleanliness standards inherent in the production process. Our operations rely significantly on water for various tasks, including cleaning, sanitation, processing, cooling and heating. We predominantly obtain water from groundwater sources and consistent efforts are

NATURAL CAPITAL

made to optimise consumption levels to prevent water stress in the region. Employee awareness initiatives are conducted in order to highlight the potential impact of water overuse on surrounding communities and ecosystems. During the year there were no incidents of non-compliance associated with water quality permits, standards and regulations. Employee awareness programmes were conducted to educate staff about the repercussions of excessive water usage on nearby communities and ecosystems, aiming to minimise water stress in the region. During the year, there were no instances of non-compliance with water quality permits, standards, or regulations. KFP achieved a 11% reduction in water usage last year, although water intensity increased by 0.6%. This reduction was attributed to initiatives taken during the year, while water intensity rose due to reduced production levels.

- Continue and enhance existing leak management system in both plants.
- Conduct internal water audits to identify water saving initiatives.
- Enhance cleaning efficiency to minimise water consumption.

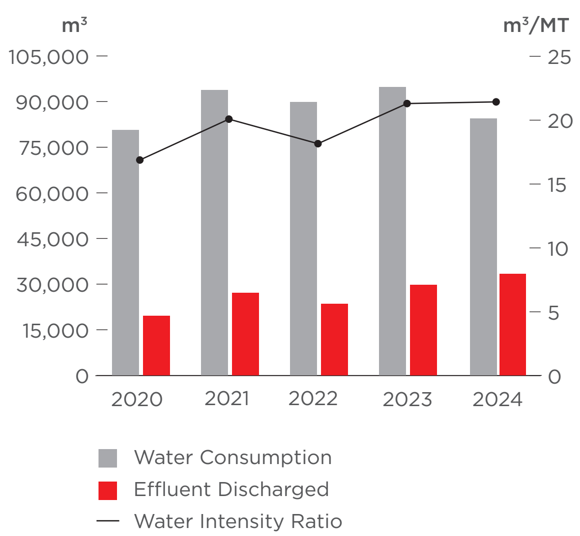
Water Withdrawal by Source	
Ground water	84,405 m^3
Municipal lines	-
Recycled water	-
Total water withdrawal	84,405 m^3

WASTE AND EFFLUENTS

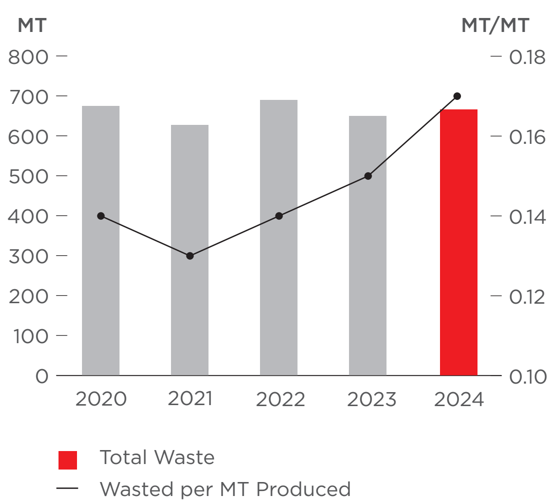
Food processing operations produce a substantial volume of wastewater, necessitating treatment before discharge to meet the regulatory requirements outlined by the Central Environmental Authority. Ongoing monitoring of the quality of discharged water ensures any potential harmful effects on the ecosystem are minimised. Water at our Ja-Ela facility is tested before release to ensure that it meets necessary water quality criteria before being directed to sewage pipes for disposal. The Pannala factory uses an effluent treatment plant to treat wastewater, which is then repurposed for gardening and cleaning purposes. During the year, 40% of water consumed was recycled and re-used. The 8% increase compared to the previous year emphasises our improved performance in environmental management. During the year KFP implemented effective measures to enhance the effluent management system by reconstructing the effluent discharge infrastructure resulting in a reduction of effluent water, bringing yearly savings of Rs. 1.5 million in municipal water bills for KFP.

Total Waste Generated	666 MT
Recycled and reused waste	45%
Land filling waste	-
Wastewater discharged	48,919 m^3
Ground water discharged	-
Municipal line water discharged	32%
Wastewater internally treated	68%

WATER



WASTE



As a natural byproduct of our manufacturing process, our factories generate various forms of solid waste. We are committed to maintain proactive waste management practices, such as recycling and resource reuse, to promote efficient material usage. Organic waste is incinerated onsite to mitigate hazards and reduce landfill waste. As part of the John Keells Group's Plastic recycling initiative, Plasti-Cycle, KFP actively participates in initiatives to reduce plastic waste, contributing to our broader commitment to environmental stewardship.

The KFP waste management system has been improved by creating agreements with waste collectors to ensure responsible waste disposal practices. Additionally, the selection of waste collectors now involves performance review and verification of legal registration and certification.

Organic Waste: Meat and vegetables of 367 Tons	Incinerated at the Group's own incineration facility
Packaging Waste: 21 Tons **Sediments:** 279 Tons	Sent to 3rd Party recyclers

CARBON FOOTPRINT

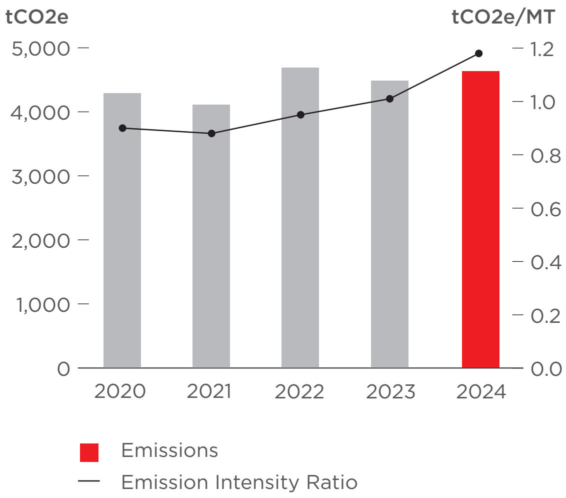
In our commitment to achieve sustained reductions in our carbon footprint, KFP has aligned its objectives with the Group's target of reducing emission intensity by 1% by 2025. We have focused on increasing our utilisation of renewable energy sources, notably through solar power generation, and enhancing energy-efficient production processes. A significant portion of the Group's emissions stems from electricity consumption and we anticipate that this transition will contribute substantially to our emissions reduction goals and aid in mitigating the environmental impact of food production on climate change. Emission levels within our factories also undergo testing by third-party institutions such as ITI and NAITA to ensure compliance with emission standards and no substantial air emissions in the form of Nitrogen oxides (NOx), Sulfur oxides (SOx), and other noteworthy air emissions were detected.

Scope 1	Direct emissions	**808**
Scope 2	Emissions from purchased energy	**3,823**
Scope 3*	Other indirect emissions	**592**

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

Carbon Footprint of Ozone Depleting Sources (MT)	**1,583**

EMISSION



WAY FORWARD

We continue to strive towards achieving the environmental targets set for 2024/25, and the following areas are being prioritised:

- Completion of the ISO 14001:2015 Environment Management certification.
- Implementation of recommendations highlighted from the level 3 energy audit. Enhancing the energy management system to meet the fundamental requirements for ISO 50001 Energy Management System certification.
- Enhancing the energy management system to meet the fundamental requirements for ISO 50001 Energy Management System certification.

CORPORATE GOVERNANCE

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

EXECUTIVE SUMMARY

The John Keells Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, sustainable and transparent manner, whilst following all mandatory regulations and ensuring the highest levels of corporate governance. The Group's corporate governance philosophy is institutionalised across all its business units, and this philosophy has continuously created value for all its stakeholders, notwithstanding the external environment and macroeconomic conditions.

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

In improving the quality and relevance of our governance reporting, we have sought to structure the narrative in a manner that showcases the Board's activities and contribution to value creation during the year. Compliance with applicable statutory requirements is summarised in the narrative and discussed in detail in the compliance tables.

The ensuing discussion comprises of the following key aspects:

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

COMPLIANCE SUMMARY

Mandatory Regulatory Frameworks – fully compliant

- The Companies Act No. 7 of 2007 including applicable regulations
- Listing Rules of the Colombo Stock Exchange (CSE), including circulars
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars
- Code of Best Practices on Related Party Transactions (2013) advocated by the SEC

Voluntary Frameworks and Standards

- Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka – compliant to the extent of business exigency and as required by the Group*

Reporting Frameworks

- International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)
- Global Reporting Initiative Standards

Internal mechanisms

- Articles of Association
- Internal Policies

Key internal policies:

- Code of Conduct, which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies at a Board level covering nominations, human resources and compensation, audit and internal controls
- Policies on anti-fraud, anti-corruption, anti-money laundering and countering the financing of terrorism and bidding for contracts, including on government contracts
- Policy on diversity, equity and inclusion, including a gender policy
- Policies on equal opportunities, non-discrimination, career management and promotions, including on employees with disabilities
- Leave (which also encompasses the equal parental leave), flexi-hours, and agile working policies including health and safety enhancements and protocols
- Information Technology (IT) policies and procedures, including data protection, classification and security
- Policy on communications and ethical advertising, complemented by social media and crisis communication guidelines
- Policy on enterprise risk management
- Policies on products and services
- Recruitment and selection, rewards and recognition, and learning and development polices
- Policies on whistleblowing, grievance handling and disciplinary procedures
- Policy against sexual harassment
- Policy on forced, compulsory child labour and child protection
- Group accounting procedures and policies
- Policies on fund management and foreign exchange risk mitigation
- Insider trading policy
- Ombudsperson policy
- Group sustainability policies including policies on energy, emissions, climate risk ,water, waste management and biodiversity conservation
- Supplier Code of Conduct

The Company and the KFP Group abide the policy commitments of the JKH Group. These commitments are accessible to all employees through the JKH Group's employee portal and are approved by the JKH Group Executive Committee with Board oversight. The JKH Group is currently working on making all relevant policies available in the public domain.

*CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023) in December 2023, effective from 1 April 2024. The updated Code has been reviewed and will be adopted to the extent of business exigency and as required by the KFP Group.

CORPORATE GOVERNANCE HIGHLIGHTS FOR 2023/24

- JKH Group was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the fourth consecutive year, with a 100% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 125 companies listed on the Colombo Stock Exchange, under six different thematic areas crucial to fighting and preventing corruption – reporting on anti-corruption programmes, organizational transparency, country-by-country reporting, domestic financial reporting, reporting on gender and non-discrimination and reporting on procurement related to Government contracts and tenders.

CORPORATE GOVERNANCE

- As a part of the JKH Group's ongoing efforts towards increasing emphasis on Environmental, Social and Governance (ESG) aspects, the Group undertook initiatives to further strengthen its ESG framework and identify focus areas for each industry Group that dovetail into Group level priorities based on relevance and materiality.
    - In collaboration with an international consulting firm, the JKH Group conducted an in-depth study across its Group businesses to identify areas of significant impact, risk and materiality. This initiative was led by a JKH Group steering committee appointed by the JKH Group Executive Committee (GEC).
    - Workshops were convened across the industry groups to assess and formulate ESG ambitions for the respective businesses, to aid the Group in developing comprehensive roadmaps aimed at achieving the set ESG ambitions. As a part of this process, businesses were benchmarked against regional peers and best-in-class practices of the respective industries the businesses operate in.
- Data governance initiatives:
    - The JKH Data Governance Steering Committee was established to facilitate the review and enhancement of existing data governance practices of the Group, in compliance with applicable laws (including the Personal Data Protection Act No 9 of 2022) and best practice. The Committee focused on revisiting internal data governance policies and engaging with the respective industry groups to review, and where relevant, facilitate the enhancement of their personal data protection processes towards ensuring a robust and more transparent data protection framework.
    - The JKH Group piloted and implemented a series of new initiatives throughout the year, to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement Continuous Controls Monitoring (CCM) and internal audit engagements.
- Cybersecurity initiatives:
    - The JKH Group engaged with a leading international consultancy firm to conduct a comprehensive assessment of the Group's cybersecurity resilience, by aligning with industry best practice and recommended technological principles. This initiative was carried out to strengthen the efficiency, security and reliability of the Group's cloud ecosystem to proactively manage risk.
    - As a part of the JKH Group's ongoing commitment towards improving cyber security and digitisation to achieve optimum operational excellence, an 'Endpoint Detection and Response (EDR)' solution was implemented. A SMART Office mobile application was also rolled out across the Group to empower employees with advanced software, to improve mobility and streamline processes.
- A revised set of human resources termed "JKH Success Drivers" were launched during the year. These "Success Drivers" will be the cornerstone of the Group's leadership development, talent attraction, and Learning & Development (L&D) initiatives. Nine JKH Success Drivers were identified and developed through discussions and workshops, with a diverse range of internal stakeholder groups and will replace the previous competency framework.
- The KFP Group strengthened its internal policy universe, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies from a holistic perspective and ensuring improved alignment in terms of its interdependencies with other related policies which have been developed over time.

HIGHLIGHTS OF THE 41ST ANNUAL GENERAL MEETING HELD ON 26TH JUNE 2023

- Ms. S De Silva who retired in terms of Article 83 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Mr. P D Samarasinghe who retired in terms of Article 83 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Messrs. Ernst & Young (E&Y) was re-appointed as the External Auditors of the Company and the Directors were authorised to determine the remuneration of E&Y.

The 42nd Annual General Meeting will be held on 18th June 2024.

THE CORPORATE GOVERNANCE SYSTEM

The diagram below illustrates governance structures and policies of the Company and KFP Group conform to those of the parent company, John Keells Holdings PLC (JKH). It depicts the internal governance structure, from the Board of Directors cascading down to the employee level, the integrated governance systems and procedures of JKH, the Assurance Mechanisms in place and the various regulatory frameworks which abide by from a Governance standpoint.

Level	Internal Governance Structure	Integrated Governance	Assurance Mechanisms	Regulatory Mechanisms

Internal Governance Structure – Board of Directors and Senior Management Committees

Level	Internal Governance Structure
Group	Board of Directors and Senior Management Committees; Chairperson ↓
Group + Industry/ Function	Group Executive Committee (GEC) ↑ ↓ ↑ Group Operating Committee (GOC) ↑ ↓ ↑
Industry/ Function	Group Management Committee (GMC) ↓
Sector/ Function/ Sub- sector	Sector Committee (SC) ↓
Business/ Function/ BU / Department	Chief Executive Officer (CEO) ↓ Management Committee ↓ Employee Empowerment

Integrated Governance – Integrated Governance Systems and Procedures

- Strategy Formulation and Decision Making Process
- Human Resource Governance
- Integrated Risk Management
- IT Governance
- Tax Governance
- Stakeholder Management and Effective Communication
- Sustainability Governance

Assurance Mechanisms

- JKH Code of Conduct
- Senior Independent Director
- Board Sub-Committee
- Employee Participation
- Internal Controls
- Ombudsperson
- External Audit

Regulatory Mechanisms

- The Companies Act No. 7 of 2007 – *Mandatory compliance*
- Listing Rules of Colombo Stock Exchange (CSE) – *Mandatory compliance*
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021 – *Mandatory compliance*
- Code of Best Practice on Related Party Transaction (2013) advocated by Securities and Exchange Commission (SEC) – *Mandatory compliance*
- The Code of Best Practice on Corporate Governance (2013) as published by the SEC and CA Sri Lanka – *Voluntary compliance*
- The Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka. – *Compliant to the extent of business exigency and as required by the KFP Group*

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

CORPORATE GOVERNANCE

INTERNAL GOVERNANCE STRUCTURE

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

Board of Directors

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

Audit Committee

Purpose:
- To assist the Board in meeting its oversight responsibilities pertaining to Group Financial Statements, risk management, internal controls, legal and regulatory frameworks

Human Resource and Compensation Committee of JKH

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

Nominations Committee of JKH

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

Related Party Transactions Review Committee of JKH

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

Project Risk Assessment Committee of JKH

Purpose:
- To evaluate and assess risks associated with significant new investments at the initial stages of formulation and prior to making any contractual commitments for the long-term

↑ Leadership and control

Accountability through reporting obligations ↓

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

CEO:
- Execute strategies and policies of the Board
- Ensure the efficient management of the business
- Ensure the operating model of the Group is aligned with short and long-term strategies of the Group
- Ensure succession is planned

↑ Reporting obligations

↑ Operations Management Performance feedback

Delegated authority ↓

Management Committees

Purpose: Led by the CEO, these committees execute strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the KFP Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources thereby ensuring that value is created/ enhanced for all stakeholders throughout the value chain

Employee Empowerment

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

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

THE BOARD OF DIRECTORS

Board Oversight, Functions and Responsibilities

While the Board is accountable and responsible under regulations for the strategic direction and management of the Company, it typically delegates the authority to the CEO and senior management to carry out day-to-day operations of the businesses. Once the Board has delegated broad authority, its primary responsibility is to oversee management's performance and ensure compliance with the broad policies and established governance principles.

Board oversight involves the continual inquiry by Directors into whether the Board's delegation of authority to management is reasonable, and whether the Board has received sufficient and accurate information from management to make that determination.

Typical areas of oversight include strategic initiatives, financial performance and the integrity of financial statements and accounting and financial reporting processes, risk management, governance and compliance and ESG matters. The Group's governance framework ensures that Directors are well-positioned to satisfy their oversight responsibility through periodic assessment of Board agenda priorities and the related structures, processes, and controls that are in place to ensure that the Board is well-informed on a timely basis of matters requiring attention.

The Board's key responsibilities include:

- Providing direction and guidance to the Group in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Group.
- Reviewing and approving annual plans and long-term business plans.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration on environmental, social and governance (ESG) factors.
- Reviewing HR processes with emphasis on top management succession planning, including the diversity, equity and inclusion (DE&I) strategy.
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework.
- Appointing and reviewing the performance of the CEO.
- Ensuring compliance with laws, regulations and ethical standards and monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits.
- Determining any changes to the discretions/ authorities delegated from the Board to the executive levels.
- Reviewing and approving major acquisitions, disposals and capital expenditure.
- Approving any amendments to constitutional documents.
- Approving the issue of equity/debt/hybrid securities.
- Ensuring all related party transactions are compliant with statutory obligations.
- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- Ensuring all stakeholder interests are considered in corporate decisions.
- Ensuring sustainable business development in corporate strategy decisions and activities.
- Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

CORPORATE GOVERNANCE

BOARD COMPOSITION

As of 31st March 2024, the Board comprised of 7 Directors, with 3 of them being Non-Executive Independent (NED/ID), 4 of them being Non-Executive Non-Independent (NED/NID).

The Group policy is to maintain a healthy balance between the Non- Executive Directors (NED) and Independent Directors (ID), in keeping with the applicable rules and codes, with the NED/NIDs bringing in deep knowledge of the businesses and the NED/IDs bringing in experience, objectivity and independent oversight.

The key change to the board composition during the year under review is as follows,

Demise of Mr. A E H Sanderatne on 23 July 2023.

BOARD SKILLS

The KFP Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board through an annual review of its composition in order to ensure Board balance, diversity and appropriate levels of relevant skills and expertise aligned with the current and future needs of the Company and the KFP Group.

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

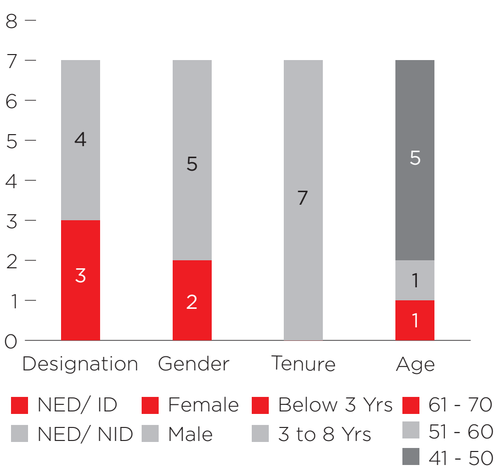
Further details of their qualifications and experience are provided under the Board of Directors section of the Annual Report.

The current composition of the KFP Board is Illustrated as follows;

Name of the Directors	Membership	Year of Appointment	Age	Meeting Attendance Attended/ Eligible to Attend	Tenure on the Board (Years)
Mr. K N J Balendra - Chairperson	NED/NID	2018	50	4/4	6
Mr. J G A Cooray	NED/NID	2018	47	3/4	6
Mr. D P Gamlath	NED/NID	2017	50	4/4	7
Ms. P N Fernando	NED/NID	2021	50	4/4	3
Mr. P D Samarasinghe	NED/ID	2016	57	3/4	8
Ms. S De Silva	NED/ID	2016	64	4/4	8
Mr. I Samarajiva	NED/ID	2016	41	4/4	8

NED/NID - Non-Executive Non-Independent Director **NED/ID** - Non-Executive Independent Director

BOARD COMPOSITION



BOARD ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

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

BOARD APPOINTMENT

Board appointments follow a structured and formal process within the purview of the Nominations Committee of JKH. The Nominations Committee of JKH, the ultimate parent company, functions as the Nominations Committee of KFP. The Committee has overall responsibility for making recommendations to the Board on all new appointments and for ensuring that the Board has the appropriate balance of skills. The Board considers the recommendations of the Nominations Committee for appointment or re-election by the Board and where relevant by the shareholders at the Annual General Meeting.

Details of new Director appointments are disclosed to the Colombo Stock Exchange and media at the time of their appointment through a public announcement, covering the following:

- A brief resume of the Director.
- The nature of his expertise in relevant functional areas.
- The names of companies in which the Director holds directorships or memberships in board committees.
- Whether such Director can be considered 'Independent'.

Details of such appointments are also carried in the relevant Interim Releases, the Annual Reports and Investor Relations publications.

The appointment of all Directors complies with applicable laws and rules including all qualifying and fit and proper criteria stipulated by the Listing Rules and Companies Act. Further, each Director annually signs a declaration which determines their independence based on such declaration and other information available to the Board. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

The Terms of Reference for the members of the Nominations Committee and the Committee report can be found in Nominations Committee of the Parent Company - JKH section of this Commentary.

BOARD INDUCTION AND TRAINING

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

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

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

RE-ELECTION

All Non-Executive Independent Directors are appointed for a period of three years and can serve up to a maximum of three successive terms, unless an extended Board tenure is necessitated by the requirements of the KFP Group. All contracts are renewed by the Board based on the recommendation of the Nomination Committee of the Parent Company – JKH.

Annually, the Board discusses the possibility of any impairment of Director independence due to extended Board tenures, and collectively evaluates the re-election of such Board members. One third of all Directors, other than the Chairperson, shall retire by rotation in terms of the Articles of Association of the Company and eligible for re-election at the annual general meeting by the shareholders.

BOARD MEETINGS

Regularity of Meetings

During the financial year under review, there were four (04) pre-scheduled Board meetings. In addition to the Board meetings, the Board of Directors communicate, as appropriate, when issues of strategic importance requiring extensive discussions arise.

The attendance at the Board meetings held during the financial year 2023/24 is given below.

CORPORATE GOVERNANCE

Name of the Directors	Board Meeting Attendance						
	Year of Appointment	27.04.2023	17.07.2023	23.10.2023	26.01.2024	Eligibility	Attended
Non-Independent/ Non-Executive							
Mr. K N J Balendra- Chairperson	2018	√	√	√	√	4	4
Mr. J G A Cooray	2018	√	√	Excused	√	4	3
Mr. D P Gamlath	2017	√	√	√	√	4	4
Ms. P N Fernando	2021	√	√	√	√	4	4
Independent/ Non-Executive							
Mr. P D Samarasinghe	2016	Excused	√	√	√	4	3
Ms. S De Silva	2016	√	√	√	√	4	4
Mr. A E H Sanderatne*	2016	Excused	√	N/A	N/A	2	1
Mr. I Samarajiva	2016	√	√	√	√	4	4

**Deceased on 23 July 2023*

TIMELY SUPPLY OF INFORMATION

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

BOARD AGENDA

The Chairperson ensured that all Board proceedings were conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2023/24 entailed, discussion of matters arising from the previous minutes, submission of Board Sub-Committee reports, status updates of major projects and raising of capital, review of performance, strategy formulation, approval of quarterly and annual financial statements, review of risk, sustainability and corporate social responsibility related aspects, ratification of capital expenditure, ratification of Circular Resolutions and use of Common Seal among others. Added emphasis was also placed on business performance in lieu of the challenges stemming from the macroeconomic volatilities and uncertainties.

BOARD SECRETARY

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

TIME DEDICATED BY NON-EXECUTIVE DIRECTORS

The Board has dedicated adequate time for the fulfilment of their duties as Directors of the KFP Group. In addition to attending Board meetings the Directors contributed to decision making via Circular Resolutions and one-on one meetings with key management personnel, when necessary.

BOARD EVALUATION

The Board conducted its annual Board performance appraisal for the financial year 2023/24. 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, balance and structures
- Systems and procedures
- Quality of participation
- Board and corporate image and reputation

The scoring and open comments are collated by the Independent Director, and the results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark, reflecting the openness of the Board. This process has led to an improvement in the Board dynamics based on the evaluations and deliberations in the past, including the 2022/23 evaluation. More recent deliberations have centered around continuous enhancement on the approach to proactively managing identification of risks, business resilience and enterprise risk management, including holistic ESG related policies.

ENSURING INDEPENDENCE AND MANAGING CONFLICTS OF INTERESTS

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

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

PRIOR TO APPOINTMENT	ONCE APPOINTED	DURING BOARD MEETINGS
• Nominees are requested to make known their various interests	• Directors obtain Board clearance prior to: - Accepting a new position. - Engaging in any transaction that could create or potentially create a conflict of interest. • All NEDs are required to notify the Chairperson of any changes to their current Board representations or interests and a new declaration is made annually.	• Directors who have an interest in a matter under discussion: - Excuse themselves from deliberations on the subject matter. - Abstain from voting on the subject matter (abstention from decisions is duly minuted).

The independence of all its Non-Executive Independent Directors was reviewed on the basis of criteria summarised below: No Non-Executive Independent Director has a conflict of interest as at 31st March 2024 as per the criteria for independence outlined below.

Criteria for Defining Independence	Status of Conformity of NEDs
1. Shareholding carrying not less than 10% of voting rights	None of the individual NED/IDs' shareholding exceed 1%
2. Director of another company*	None of the NED/IDs are Directors of another related party company, as defined
3. Income/non-cash benefit equivalent to 20% of the Director's annual income excluding income/non-cash benefits received which are applicable on a uniform basis to all non-executive Directors on the Board	NED/ID income/cash benefits are less than 20% of individual Director's income
4. Employment at KFP Group and/or material business relationship with KFP Group, currently or in the three years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at KFP Group or any of its subsidiaries or JKH Group
5. Close family member is a Director and/or CEO or a Key Management Personnel	No family member of the NED/IDs is a Director of a related party company
6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	No NED/ID has served on the Board for more than nine years
7. Is employed, is a Director has a material business relationship and/or significant shareholding in other companies*. Entails other companies that have significant shareholding in KFP Group and/or KFP Group has a business connection with	None of the NED/IDs are employed, have a material business relationship or a significant shareholding of another related party company as defined

*Other companies in which a majority of the other Directors of the listed company are employed or are Directors, or have a significant shareholding or have a material business relationship or where the core line of business of such company is in direct conflict with the line of business of the listed company.

CORPORATE GOVERNANCE

DETAILS IN RESPECT OF DIRECTORS

The following table illustrates the total number of Board seats (excluding JKH Group Board seats) held in other listed companies (outside the JKH Group) by each Director.

Name of Directors	No. of Board seats held in other Listed Sri Lankan Companies	
	Executive Capacity	Non-Executive Capacity
Mr. K N J Balendra	NIL	NIL
Mr. J G A Cooray	NIL	NIL
Mr. D P Gamlath	NIL	NIL
Mr. P D Samarasinghe	Overseas Reality PLC	Swadeshi Industrial Works PLC People's Leasing & Finance PLC
Ms. S De Silva	Nil	Sarvodaya Development Finance PLC, Ex-pack Corrugated Cartons PLC, Amana Takaful Life PLC
Mr. A E H Sanderatne*	Nil	Nil
Mr. I Samarajiva	Nil	Nil
Ms. P N Fernando	Nil	Nil

**Deceased on 23 July 2023*

Directors' Shareholding (Including the spouse)	No. of Shares as at 31st March 2024	No. of Shares as at 31st March 2023
Mr. K N J Balendra	-	-
Mr. J G A Cooray	-	-
Mr. D P Gamlath	-	-
Mr. P D Samarasinghe	-	-
Ms. S De Silva	-	-
Mr. A E H Sanderatne*	N/A	-
Mr. I Samarajiva	-	-
Ms. P N Fernando	-	-

**Deceased on 23 July 2023*

Chief Executive Officer's Shareholding (Including the spouse)	No. of Shares as at 31st March 2024	No. of Shares as at 31st March 2023
Mr. V I Wickramaratne	-	-

DIRECTOR REMUNERATION

Non-Executive Director Remuneration

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

It is noted that fees payable to Non-Executive nominees of JKH are paid to JKH and not to individual Directors.

Total aggregate of Non-Executive Directors remuneration for the year was Rs. 11 million. (2022/23 - Rs. 10.9 million)

Compensation for Early Termination

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

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

BOARD SUB-COMMITTEES

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

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

1. Audit Committee
2. Human Resources and Compensation Committee of Parent company - JKH
3. Nominations Committee of Parent company - JKH
4. Related Party Transactions Review Committee of Parent company - JKH
5. Project Risk Assessment Committee of Parent company – JKH

Out of the five Board Sub-Committees, four are mandatory, whist the Project Risk Assessment Committee was formed voluntarily, considering the diverse nature of businesses within the JKH Group.

The Board Sub-Committees comprise predominantly of Independent Non-Executive Directors.

Audit Committee

No of meetings - Five (05) - The Committee convened at least once every quarter.

COMPOSITION	All members are Non-Executive Independent Directors, with at least one member having significant, recent and relevant financial management and accounting experience and a professional accounting body.
	The Sector President, Sector Chief Financial Officer and Head of Group Business Process Review of JKH are permanent invitees for all Committee meetings.
SCOPE	Overseeing the preparation and presentation and review of the quarterly and annual Financial Statements, including quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations prior to tabling the same for the approval of the Board of Directors.
	Obtain and review assurance received from the CEO, Sector Chief Financial Officer, Sector President and other key management personnel, as relevant that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's and Group's operations and finances.
	Evaluate the competence and effectiveness of the risk management systems of the KFP Group and ensure robustness and effectiveness in monitoring and controlling risks. , as recommended by the internal auditors.
	Review the adequacy and effectiveness of internal and external audit arrangements.
	Review the risk policies adopted by the Company on an annual basis.
	Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

Audit Committee meeting attendance

The KFP Group's Audit Committee comprise of three (3) Non-Executive Independent Directors as of 31 March 2024.

Members	Eligible to Attend	Attended	Date of Appointment
Mr. P D Samarasinghe - Chairperson	5	5	10/06/2016
Mr. I Samarajiva	5	5	10/06/2016
Ms. S De Silva	5	4	10/06/2016
Mr. A E H Sanderatne*	2	1	10/06/2016
By Invitation			
Mr. D P Gamlath			
Ms. P N Fernando			

**Deceased on 23rd July 2023*

Report of the Audit Committee

Refer Audit Committee Report on page 133 to 135 of the Annual Report.

CORPORATE GOVERNANCE

Human Resources and Compensation Committee of the Parent Company - JKH
No of Meetings - One (1)

COMPOSITION	Committee comprises exclusively of Independent Non-Executive Directors.
	The Chairperson of the Committee must be Independent Non-Executive Director.
	The Chairperson and Group Finance Director are invited to all Committee meetings unless the Chairperson or Executive Director remuneration is under discussion respectively.
	The Deputy Chairperson/Group Finance Director is the Secretary of the Committee
SCOPE	Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the Group.
	Determine and agree with the Board a framework for the remuneration of the Chairperson and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
	Succession planning and talent management of Key Management Personnel.
	Ensure the integrity of the Group's compensation and benefits programme is maintained.
	Commission compensation and benefit surveys as appropriate to assist the Committee in its deliberations.
	In performing these functions, to ensure that stakeholder interests are aligned and that the Group is able to attract, motivate and retain talent.
	At its discretion, the Committee may invite external specialists to provide advice and information on relevant remuneration and Human Resource Development practices.
	Determining compensation of Non-Executive Directors is not under the scope of this Committee.

Human Resources and Compensation Committee meeting attendance

Members	Eligible to Attend	Attended	Date of Appointment
Mr. D A Cabraal – Chairperson	1	1	29/01/2015
Dr. (Mr.) S S H Wijayasuriya	1	1	05/11/2016
By Invitation			
Dr. (Ms.) S A Coorey	1	-	
Mr. A N Fonseka	1	1	
Mr. K N J Balendra	1	1	
Mr. J G A Cooray	1	1	

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

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

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

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

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

A. Cabraal

D A Cabraal
Chairperson of the Human Resources and Compensation Committee
20th May 2024

Nominations Committee of the Parent Company - JKH
No of Meetings - Three (3)

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

Nominations Committee meeting attendance

Members	Eligible to Attend	Attended	Date of Appointment
Mr. D A Cabraal – Chairperson	3	3	07/11/2013
Dr. (Ms.) S A Coorey	1	1	08/11/2023
Ms. M P Perera*	1	1	24/07/2014
Dr. (Mr.) S S H Wijayasuriya	3	3	05/11/2016
Mr. K N J Balendra	3	3	01/01/2019

** Retired from 1st July 2023*

CORPORATE GOVERNANCE

REPORT OF THE NOMINATIONS COMMITTEE

The Nominations Committee as at 31 March 2024, consisted of the following members:

- Mr. D A Cabraal - Chairperson
- Mr. K N J Balendra
- Dr. (Mr.) S S H Wijayasuriya
- Dr (Ms.) S A Coorey (appointed w.e.f 8 November 2023)

*Note: Ms. M P Perera resigned as a member of the Nominations Committee consequent to her resignation from the Board of John Keells Holdings PLC (JKH) on 1 July 2023.

The Nominations Committee reaffirmed its mandate to:

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

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

John Keells Holdings PLC

- Mr. D V R S Fernando (new appointment)

Tea Smallholder Factories PLC

- Mr. A S Jayatilleke (renewal)
- Ms. A Goonethileke (renewal)

Trans Asia Hotels PLC

- Mr. N L Gooneratne (renewal)

Union Assurance PLC

- Mr. P T Wanigasekara (new appointment)
- Mr. D H Fernando (renewal)

The Committee reports its activities at each Board Meeting.

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

A. Cabraal

D A Cabraal
Chairperson of the Nominations Committee
20th May 2024

Related Party Transactions Review Committee of the Parent Company - JKH

No of meetings – Four (4)

COMPOSITION	The Chairperson shall be an Independent Non-Executive Director.
	Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors.
	The composition may include Executive Directors at the option of the Listed Entity.
SCOPE	The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE. Additionally, if a Director has personal material interest in a matter being reviewed by the committee, such Director shall not be present in the meeting and shall not vote in the matter, except at the request of the committee.
	All proposed Related Party Transactions shall be reviewed in advance and in the event of any material changes, such changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.
	Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group.
	Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis and formally requesting the Board to approve the related party transactions following the determination of whether such approval is needed.
	Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually, such as recurrent related party transactions and similar issues relating to listed companies.
	Ensure that they have, or have access to expertise to assess all aspects of proposed Related Party Transactions, and where necessary, obtain expert advice from an appropriately qualified person.
	Where both the parent company and the subsidiary are Listed Entities, Related Party Transactions Review Committee of the parent company shall function as the Related Party Transactions Review Committee of the subsidiary.

Related Party Transactions Review Committee meeting attendance

Members	Eligible to Attend	Attended	Date of Appointment
Mr. A N Fonseka - Chairperson	4	4	29/01/2014
Mr. D A Cabraal	4	4	29/01/2014
Dr. (Ms.) S A Coorey*	2	2	01/07/2023
Mr. D V R S Fernando **	1	1	08/11/2023
Ms. M P Perera***	1	1	24/07/2014
By Invitation			
Mr. K N J Balendra	4	4	
Mr. J G A Cooray	4	3	

* *Ceased to be a member with effect from 8th November 2023*

** *Attended by invitation on 6th November 2023*

*** *Retired from 1st July 2023*

Note: The Committee convened at least once every quarter.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition

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

Mr. A N Fonseka

Mr. D A Cabraal

Mr. D V R S Fernando

Ms. M P Perera – former Chairperson retired from the RPT committee with effect from 1st July 2023

Dr. (Ms.) S A Coorey – appointed to the RPT committee with effect from 1st July 2023 and resigned with effect from 8th November 2023.

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

Objective and Governing Policies

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

Procedure

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

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

Non-recurrent Related Party Transactions (RPTs) of listed entities:

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

Recurrent RPTs of listed entities:

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

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

Other significant transactions of non-listed subsidiaries:

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

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

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

A N Fonseka

Chairperson of the Related Party Transactions Review Committee

20th May 2024

Project Risk Assessment Committee of the Parent Company - JKH

No of meetings – The committee did not convene during the year

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

Project Risk Assessment Committee meeting attendance

Members	Eligible to Attend	Attended	Date of Appointment
Dr. (Mr.) S S H Wijayasuriya - Chairperson	-	-	25/05/2018
Ms. M P Perera*	-	-	25/05/2018
Mr. K N J Balendra	-	-	25/05/2018
Mr. J G A Cooray	-	-	25/05/2018

**Retired from 1 July 2023*

REPORT OF THE PROJECT RISK ASSESSMENT COMMITTEE

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

Dr. (Mr.) S S H Wijayasuriya - Chairperson

Mr. K N J Balendra

Mr. J G A Cooray

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

During the year under review, the context of Project Risk Assessment was centred on (i) The extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and (ii) The two landmark investment projects - City of Dreams Sri Lanka (formerly known as the Cinnamon Life Integrated Resort) and the West Container Terminal. Given the scale and impact of the risks and opportunities associated with the said subjects, the committee and board were of the view that related deliberations should take place with participation of the full Board as regular board agenda items.

While there were no specific new investments during the year which required Board Approval as per the Group's financial thresholds, new ventures such as the partnership with the Reliance Group on the marketing and distribution of Beverages in the Indian market, the entry into the partnership with BYD on New Energy Vehicles and the launch of the VIMAN project were a some of the key projects which were also discussed at Board level.

S S H Wijayasuriya
Chairperson of the Project Risk Assessment Committee
20th May 2024

CORPORATE GOVERNANCE

ROLE OF THE CHAIRPERSON OF THE BOARD

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

Chairperson

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

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

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

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

Group Executive Committee and Other Management Committees

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

Whilst the Chairperson and Presidents are ultimately accountable for the Company/Group and the industry groups/sectors/ business functions respectively, all decisions are taken on a committee structure as described below.

Group Executive Committee (GEC) - JKH

As at 20th May 2024, the eight-member GEC consisted of the Chairperson of the JKH Group, Deputy Chairperson/ Group Finance Director of the JKH Group and the Presidents of each business/ function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairperson, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the JKH Group, makes portfolio decisions and prioritises the allocation of all forms of capital.

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the JKH Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.

Refer GEC Profiles section of the JKH corporate website for more details.

The GEC meets twice a month, in addition to the meetings that are scheduled as necessitated by the requirements of the JKH Group.

Group Operating Committee (GOC) - JKH

As at 20th May 2024, the twenty-member GOC consisted of the Chairperson of the JKH Group, Deputy Chairperson/Group Finance Director of the JKH Group, the Presidents and the Executive Vice Presidents in charge of sectors and the finance functions of the industry groups and Executive Vice Presidents who are functional heads at Centre Functions. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions.

The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units.

Refer GOC Profiles section of the JKH corporate website for more details.

Group Management Committee (GMC)

The GMC's of the Consumer Foods Industry Group is operated under the leadership of the respective President and is 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.

Key Objectives of the GMC

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.

Scope of the GMC

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 information and accountability. Responsibility and accountability of the effective functioning of the GMC is vested upon the President and the functional heads as applicable.

The GMC focus is aligned to headline financial and non-financial indicators, strategic priorities, risk management, implement the strategies and policies determined by the Board, the use of IT as a tool of competitive advantage, new business development, continuous process improvements, management of human resource and managing through delegation and empowerment, the business affairs of the respective sectors. Responsibility for monitoring and achieving plans as well as ensuring compliance with Group policies and guidelines rests with the Presidents and functional heads where applicable.

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

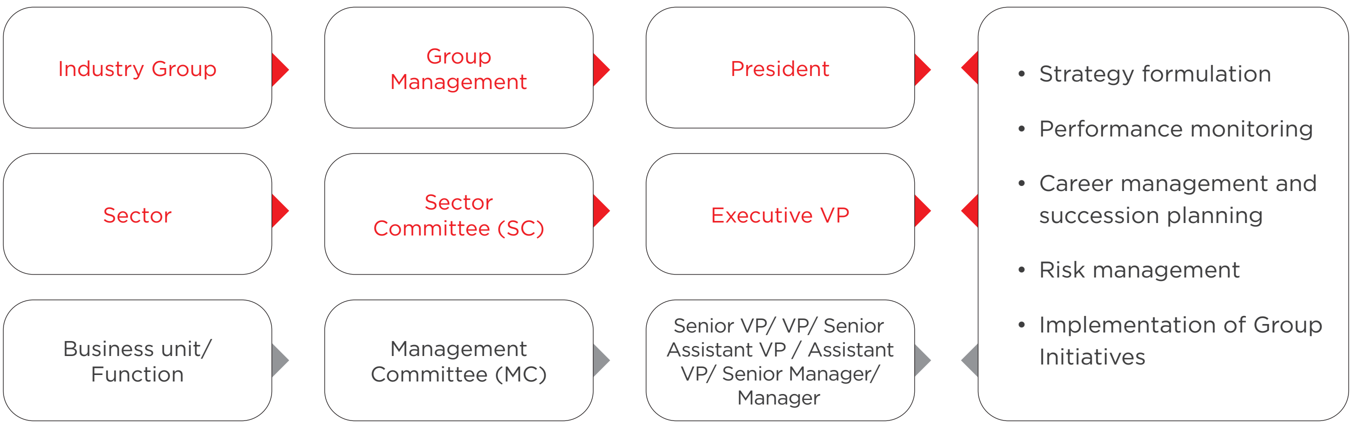
Illustrated below is the structure of the three Committees.

Employee Empowerment

The KFP Group ensures that the necessary policies, processes, and systems are in place to ensure effective recruitment, development, and retention of this vital stakeholder. The bedrock of these policies is the JKH Group's competency framework, which has been adopted by the company and the KFP Group, and further refined and updated by JKH to reflect the current needs of the Group. To support these policies, the JKH Group continued with, and further strengthened, the following practices.

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

The KFP Group prioritises a safe, secure and conducive environment for all its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race, religion, gender



Note: Vice President (VP)

identity or sexual orientation, and promotes workplaces which are free from physical, verbal or sexual harassment.

INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

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

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

JKH Group's ethical business practices, adopted by the Company and the KFP Group;

- Seeks to ensure that ethical business practices are adhered to from the most senior to the most junior employee, including the Board of Directors. All Group companies have established procedures and processes to prevent and reduce corruption and bribery. Each business unit is expected to assess the risk of corruption as part of its risk management process and implement mitigation measures. Transparent control and prevention mechanisms extend this expectation to the entire value chain, including customers, suppliers, and business partners. The Group analyses all its business units and functions, incorporating the risk of corruption into its risk management process. Additionally, the Group maintains a zero-tolerance policy towards bribery and corruption.
- Implements stringent checks during the recruitment process to ensure compliance with minimum age requirements.
- Ensures that all businesses are educated on potential sources of forced and compulsory labour.
- Is committed to upholding the universal human rights of all its stakeholders.
- Is an equal opportunity employer and has a zero-tolerance policy against physical or verbal harassment based on gender identity, race, religion, nationality, age, social origin, disability, sexual orientation, political affiliations, or opinion.

STRATEGY FORMULATION AND DECISION-MAKING PROCESSES

The Company and the KFP Group have adopted the JKH Strategy Formulation and Decision-Making Processes.

Strategy Mapping

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

This exercise entails the following key aspects, among others.

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

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

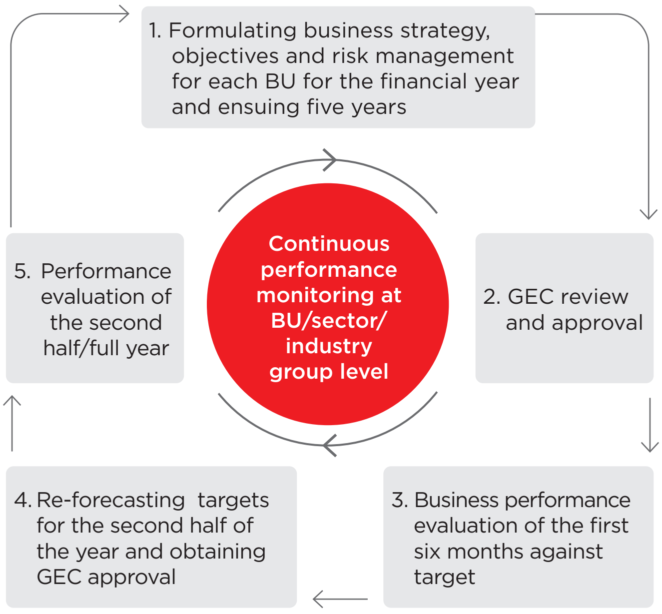
The JKH Group's investment appraisal methodology and decision-making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.

In this manner:

- A broad range of views, opinions and advice are obtained prior to making an investment decision.
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability and tax implications.
- Sensitivity and scenario analysis are conducted to understand the impacts from the macroeconomic environment, especially during periods of volatility and uncertainty.
- All investment decisions are consensual in nature, made through the afore-discussed management committee structure where no single individual has unfettered decision making powers over investment decisions.

- The ultimate responsibility and accountability of the investment decision rests with the Chairperson.

The following section further elaborates on the JKH Group's strategy formulation and planning process.



PROJECT APPROVAL PROCESS

New Projects 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 and encompasses a wider scope of work covering risk management, sustainable development, ESG and HR considerations.

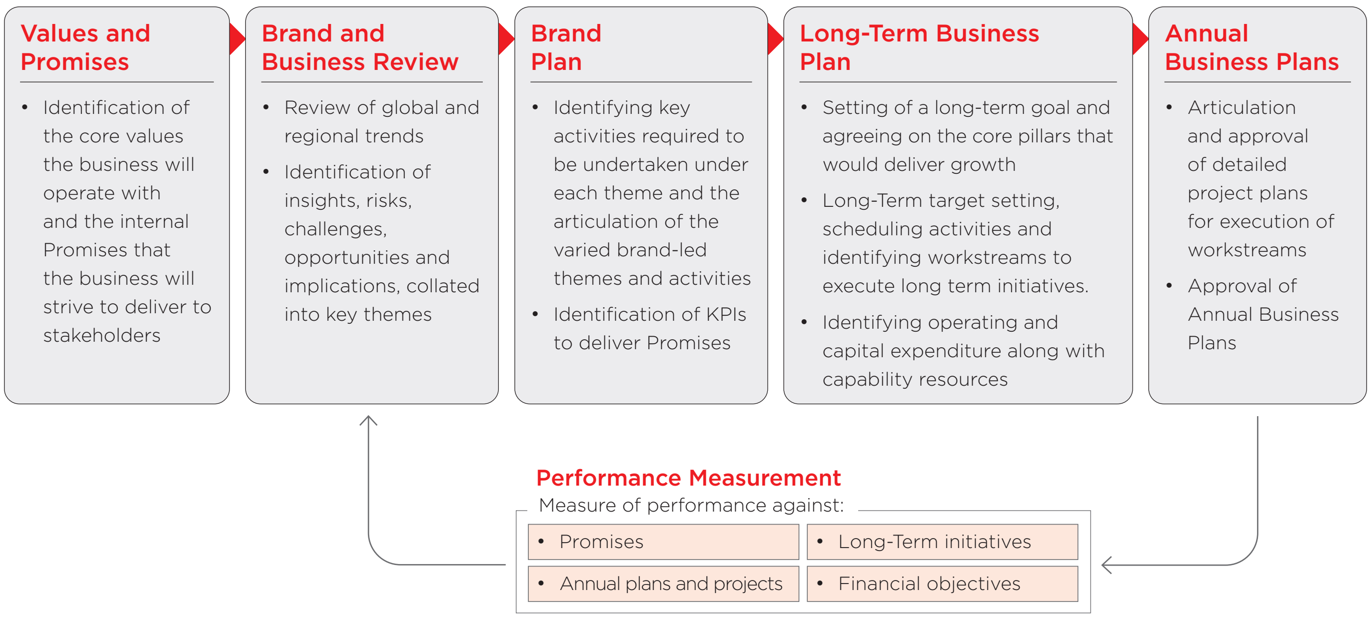
Based on the decision rights matrix, subsequent to review by the relevant leadership committee of the feasibility report and post in principle approval, a multi-disciplined project team will proceed to the next phase of the project evaluation which will focus on detailed operational, commercial, financial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

- Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and State land. In case of State land, every action would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained.

- Any project which involves bidding on contracts and tenders, including to those of local and foreign

MEDIUM-TERM STRATEGY

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



CORPORATE GOVERNANCE

government and related bodies, is executed in conformance with the Group's policy on bidding on contracts and tenders. It is noted that, while the Company currently does not have any contracts with any local and foreign Governments, the Company will disclose the same in its financial statements, in such an event.

- Where the project is a part of a privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interests, request for proposals, pre-bid meetings, official approvals and correspondence.

Subsequent to the project satisfying the above highlighted criteria, the final approval to proceed will be granted by the Board. Based on thresholds of the investment quantum, the JKH Project Risk Assessment Committee , on behalf of the Board, will review and assess risks associated with such investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. The aim of this intervention is to ensure alignment with the interest of various stakeholders and to recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation. When appropriate, the GEC is empowered to approve such proposals in terms of the delegated decision rights with the Board being kept informed.

The aforementioned Project Appraisal framework flow is illustrated below:

HUMAN RESOURCE GOVERNANCE

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

The state-of-the-art cloud based Human Resource Information System (HRIS) manages the entire lifecycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

PERFORMANCE MANAGEMENT

The Performance Management System, as illustrated below, is at the heart of many supporting human resource management processes such as learning and development, competency mapping, career development, succession planning, talent management, rewards/recognition and compensation/benefits.

Compensation and Benefits

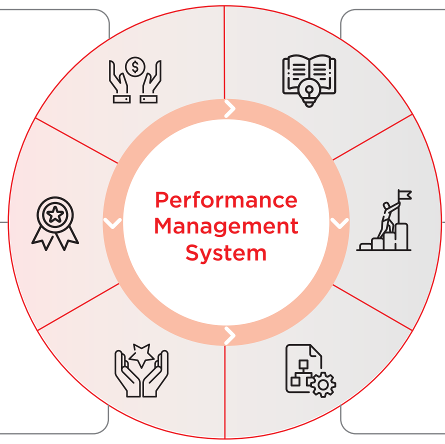
Identification of:
- Performance rating
- Competency ratings

Rewards and Recognition

Identification of:
- Chairperson's Award
- Employee of the Year
- Champion of the Year

Talent Management

Identification of:
- High performers
- High potential



Learning and Development

Identification of:
- Long-term development plans
- Competency-based training needs
- Business focused training needs

Career Development

Identification of:
- Promotions
- Inter-company transfers
- Inter department transfers

Succession Planning

Identification of:
- Jobs at risk
- Suitable successors
- Readiness level of successors
- Development plans
- External recruitments

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

JKH SUCCESS DRIVERS

During the year, the JKH Group embarked on a project to transform the JKH Group Competency Framework which has been in use for over a decade. The outcome was a refreshed and more relevant set of new competencies termed 'Success Drivers' which will be implemented for use during the ensuing year. The 'Success Drivers' evolved through the establishment of a series of workshops and discussions, and has been developed to be current, relevant and flexible in the context of the diversity of the JKH Group talent pool and range of demographics it operates in.

The following pool of nine JKH Success Drivers were identified and developed through discussions and workshops, with a diverse range of internal stakeholders, at different levels.

JKH Success Drivers with Highlights:

1. INCLUSIVE LEADERSHIP
- Inclusivity & Diversity
- Collaboration & Open Communication
- Compassion & Empathy
- Coaching & Mentoring
- Upholding Values

2. CONNECTING THE DOTS
- Big Picture Perspective
- Multidisciplinary approach
- Critical Thinking
- Value Driven approach

3. BEING AGILE
- Adapting to Change
- Thriving in uncertainty
- Bouncing back from adversities
- Rapid experimentation approach
- Solution-oriented Growth Mindset

4. RELENTLESS EXECUTION
- Action orientation
- Prioritization
- Effective Time Management Focus & Commitment

5. EMOTIONAL RESILIENCE
- Self-control and self-regulation
- Adapting to change
- Bouncing back from adversities
- Positive outlook & Growth Mindset

6. STORYTELLING
- Impactful Communication
- Inspiring People
- Creative ways of engagement
- Active Listening

7. ENTREPRENEURIAL MINDSET
- Innovative Thinking
- Decisiveness & Ownership
- Unwavering Commitment
- Prudent risk-taking

8. 360 STAKEHOLDER COMMITMENT
- Passion for all stakeholders
- Building Synergies
- Trust & Credibility
- Commitment to Financial outcomes + ESG

9. CORPORATE CITIZENSHIP
- Commitment to ESG
- Ethical practices
- Focus on Sustainability

CORPORATE GOVERNANCE

Performance Based Compensation Philosophy
The JKH Group Compensation Policy which have been adopted by the KFP Group is as follows:

PERFORMANCE MANAGEMENT

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

SATISFACTION

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

COMPENSATION POLICY

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

INTERNAL EQUITY

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

EXTERNAL EQUITY

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

EQUITY SHARING

The Company does not offer its shares under an ESOP Scheme. The ESOP Scheme made available to the Senior Executives of the Company is from the Parent Company, JKH, at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long-term incentives have been significantly instrumental in inculcating a deep sense of ownership in the recipients and are seen to be a key driver of performance-driven rewards. Share options are awarded to individuals based on their immediate performance and the potential importance of their contribution to the KFP Group's plans.

JKH Group issues share options not exceeding a specified percentage of the total issued shares of the Company as at the date of awarding every such option, which is subject to in-principle approval of the Exchange and shareholder approval, by way of a Special Resolution at a General Meeting.

INTEGRATED RISK MANAGEMENT

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

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

- Integrating and aligning activities and processes related to planning, policies/ procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.

- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all KFP Group risks.

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

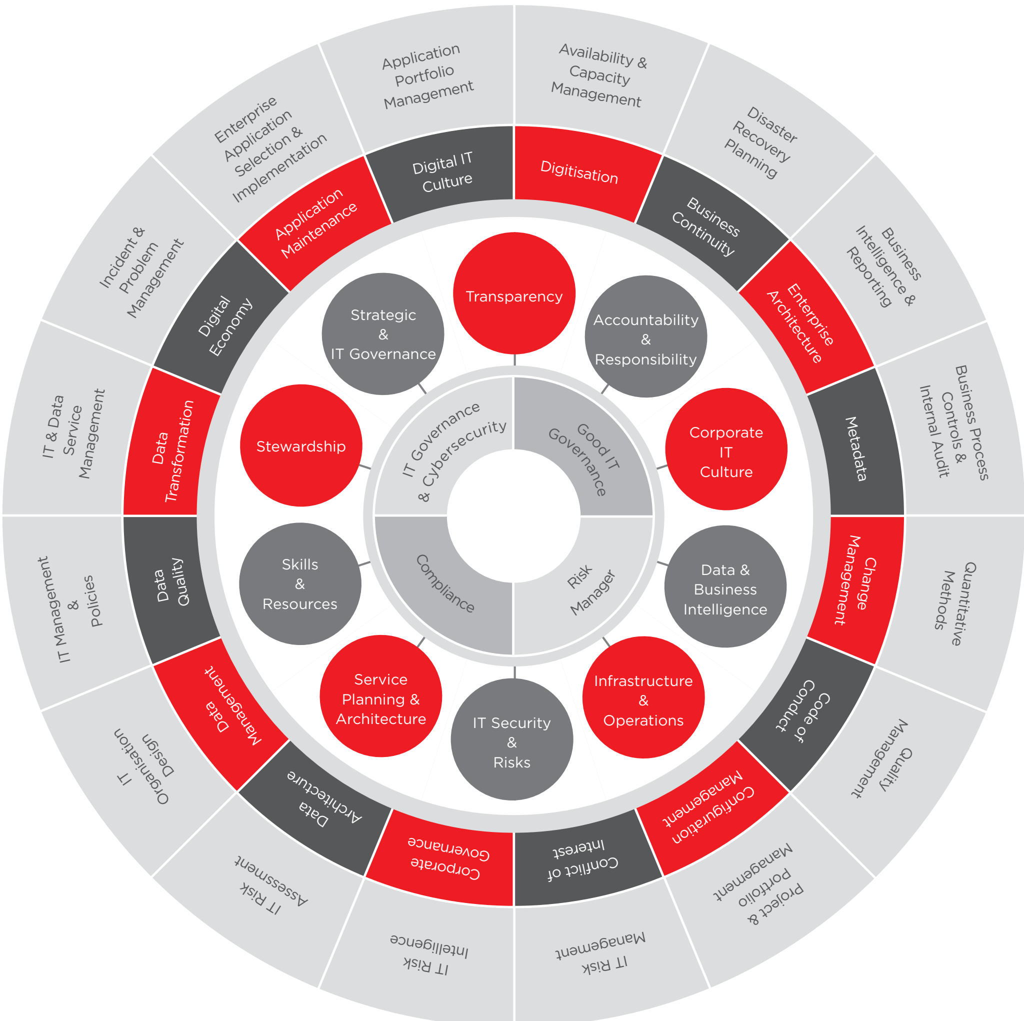
Please refer the Enterprise Risk Management section of the Annual Report for more detail.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

IT governance stewardship roles are governed through layered and nested committees, cascading from the JKH Board, GEC, GOC, the JKH Group IT Steering Committee and to the JKH Group IT Operations Committee with well-defined roles and responsibilities across the Group with a federated governance structure to cater to the holistic Group-level as well as specific industry level nuances. This ensures empowerment and enablement to act with a singular and more robust governance and policy framework across the Group, whilst being agile and nimble.

The Group's IT governance framework focuses on five broader segments, namely strategic alignment, value delivery, performance management, risk management, and resource management. Additionally, the IT governance framework used within the Group leverages on best practice and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9001:2015, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), CMMI (Capability Maturity Model Integration), NIST (National Institute of Standards and Technology), FAIR (Factor Analysis of Information Risk), among others, in formulating a state-of-the-art framework for IT governance, risk and compliance management across the KFP Group.

The key focus areas of the IT Governance Framework are as follows:



CORPORATE GOVERNANCE

The KFP Group continually focuses on enhancing the IT governance framework in line with its business and IT strategies with a focused shift towards a zero-trust model built on a mobile-first, internet-first, cloud-first and (AI)-first strategy.

KEY INITIATIVES DURING THE YEAR

To improve the Group's cybersecurity and digitisation efforts, an 'Endpoint Detection and Response (EDR)' solution was implemented. The adoption of a solution from an eco-system partner, through a rigorous selection process was also a significant milestone in the Group's digitisation journey, providing elevated security across operations.

A SMART Office mobile application was also rolled out across the group. The SMART Office application empowers the workforce with advanced tools, improving mobility, productivity, and streamlining and automating processes.

TAX GOVERNANCE

The JKH Group's tax governance framework and tax strategy adopted by the Company and the KFP Group is guided by the overarching principles of compliance, transparency and accountability, and acknowledges the Group's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.

Governance Structure	• Voluntary compliance and efficient tax management are key aspect of the Group's overall tax strategy. • This is enabled through a decentralised tax structure where expertise is built at each industry group level to support decision making. • The Head of Tax of each industry group, reporting functionally to the Group Head of Tax, ensures uniformity of interpretation, robust compliance management and roll out of Group tax strategy across all businesses.
Policy and Strategy	• Ensure: - Integrity of all reported tax disclosures. - Robust controls and processes to manage tax risk. - Openness, honesty, and transparency in all dealings. - Presence of legitimate business transactions underpinning any tax planning or structuring decision/opportunity. • Contribute to fiscal policy formulations constructively in the interest of all stakeholders.
Role	• Implement and maintain strong compliance processes. • Analyse and disseminate business impact from change in tax legislation. • Provide clear, timely, and relevant business focused advice across all aspects of tax. • Ensure availability of strong and well documented technical support for all tax positions. • Obtain independent/external opinions where the law is unclear or subject to interpretation.
Review and Monitoring	• Leverage on digital platforms to support, record and report on tax compliance status across the Group. • Periodic updates to the Board of Directors on the Group Tax positions (quarterly at minimum).

The Group's approach to tax governance is directly linked to the sustainability of business operations. The presence of a well structure tax governance framework ensures the following:

- Ability to manage tax exposures efficiently by reducing the tax burden on the KFP Group, within the ambit of applicable laws.
- Manage tax risks and implications on the KFP Group reputation through adequate policies and proactive communication defence.
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities.
- Ensuing integrity of reported numbers and timely compliance.

STAKEHOLDER MANAGEMENT AND EFFECTIVE COMMUNICATION

Following are the key stakeholder management methodologies adopted by the KFP Group. Whilst the KFP Group has multiple channels enabling effective communication, there were no material concerns that were raised during the year by stakeholders regarding the operations of the KFP Group.

Shareholders / Investors

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

Employees

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

Customers / Suppliers

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

Government

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

Other Key Stakeholders

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

COMMUNICATION WITH SHAREHOLDERS

The KFP Group maintains several communication channels with the shareholders which include the Annual Report, interim financial statements, AGMs, EGMs, announcements to the CSE, press releases, the corporate website, shareholder surveys on a needs basis, the investor feedback form provided in the Annual Report, and through the Company Secretaries.

Engagement Mechanism	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim financial statements	Quarterly
Investor presentations	As required
Press releases	As required

Engagement Mechanism	Frequency
Announcements to CSE	As required
One-to-one discussions	As required
Investors' section in the Corporate website	Continuous
Feedback surveys	As required

CORPORATE GOVERNANCE

INVESTOR RELATIONS

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

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries and the Chairperson, although individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

RELEASE OF INFORMATION TO THE PUBLIC AND CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting a true and fair view, and balanced assessment of results in the quarterly and annual financial statements. Accordingly, KFP has reported a true and fair view of its financial position and performance for the year ended 31st March 2024 and at the end of each quarter of the financial year 2023/24.

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

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

Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the KFP Group. Annual Reports are made available to shareholders in electronic form. Shareholders may at any time elect to receive an Annual Report from KFP in printed form, which is provided free of charge.

The KFP Group constructively makes use of the AGM towards enhancing relationships with the shareholder and towards this end the following procedures are followed:

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time.
- Summary of procedures governing voting at the AGM are clearly communicated.
- The Board ensures that the external auditors are present at the AGM.
- Most Executive and Non-Executive Directors are made available to answer queries.
- The Chairperson ensures that the relevant senior managers are also available at the AGM to answer specific queries.
- Separate resolutions are proposed for each item that is required to be voted on.
- Proxy votes, those for, against, and withheld (abstained) are counted.

SERIOUS LOSS OF CAPITAL

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

EXTRAORDINARY GENERAL MEETINGS, INCLUDING SHAREHOLDER APPROVAL THROUGH SPECIAL RESOLUTION

The Company will seek shareholder approval, either via special or ordinary resolution as permitted under applicable law, when transactions and events which are material in the context of Group and Company occur or are undertaken in line with all applicable rules and regulations.

SUSTAINABILITY GOVERNANCE

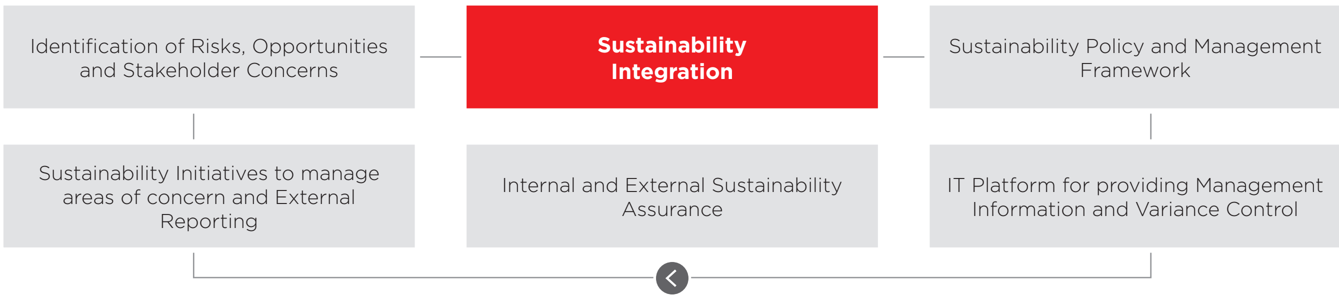
The KFP Group places great importance on sustainable development. The Group believes that its financial performance and brand image are closely aligned with sound management of environmental, social and governance (ESG) factors.

Approach

The company and the KFP Group adopted the JKH Group's approach to sustainability. The JKH Group's approach to sustainability continues to be aligned to support the Sustainable Development Goals adopted by the United Nations in 2015, which expands on the Millennium Development Goals. The Board firmly embeds sustainability concerns within the JKH Group's strategic planning process, with companies striving to optimise performance from a triple bottom line lens and Internal and External Sustainability Assurance and Standard Operating Procedures are in place to review the effectiveness of the procedures embodied by the group on a needs basis.

The JKH Group has in place a sound sustainability integration process, management framework and sustainability organizational structure through which sustainable practices are embedded to the Group's operations, which the KFP Group adopted.

SUSTAINABILITY INTEGRATION PROCESS



The JKH Group's well-established sustainability integration processes and its sustainability management framework works alongside other key functions and management systems such as human resources, health and safety and product responsibility processes, as well as risk management, internal audit, legal and statutory compliance and corporate social responsibility initiatives. The Sustainability Management Framework is updated on a continuous basis to incorporate changing requirements and updates to the global sustainability landscape.

Environmental issues such as climate change, resource scarcity and environmental pollution, social issues such as the Group's labour practices, talent management, product safety and data security, and Governance aspects such as Board diversity, executive pay and business ethics are given significant emphasis within the KFP Group and are periodically reviewed at a GEC and Board level.

JKH Group's effort towards ESG initiatives during the year

- The JKH Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics in the current context.
- Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders.
- Stakeholder engagement sessions were held with both internal and external stakeholders across sectors to gather insights. These efforts culminated in the determination of material ESG topics for each industry group and a holistic perspective for the JKH Group.
- Subsequently, a series of ambition-setting workshops were convened. These workshops involved the senior leadership of each industry group, including the Chairperson and Deputy Chairperson/Group Finance Director, in defining both Group-level and sector-specific ESG ambitions.
- This collaborative process ensured alignment between the overarching JKH Group goals and the specific objectives of each sector.

CORPORATE GOVERNANCE

The JKH Group's ESG framework is an amalgamation of the various frameworks within the JKH Group and through this, the KFP Group endeavours to ensure sustainable value creation for all stakeholders and mitigate any adverse impacts of Group businesses on the environment, economy and society. As such, the ESG disclosures across the Report are captured through the following frameworks:

JKH Sustainability Organisation Structure

GROUP EXECUTIVE COMMITTEE
Responsible for formulating and steering the Group's overall sustainability strategy.

SUSTAINABILITY, ENTERPRISE RISK MANAGEMENT AND GROUP INITIATIVES DIVISION
Operationalises the Sustainability Management Framework (SMF) and carries out Group- wide processes, including identification of stakeholder and material issues, stakeholder engagements, risk assessments, Group-wide awareness campaigns and overall review and monitoring of the SMF.

BUSINESS UNITS
Each business unit is responsible for their sustainability performance, operating under the umbrella of the Group's SMF. Sustainability Champions under the leadership of their respective Heads of Business/ Sector Heads, and working closely with the central sustainability division, have responsibility for implementing sustainability initiatives and management of performance of their individual businesses.

The KFP Group firmly embeds Sustainability concerns within the Group's strategic planning process, with companies striving to optimize performance from a triple bottom line lens. All business units are required to identify non-financial risks and material impacts and include strategies to address these through sustainability initiatives and projects. Business and individual objectives are therefore aligned with overall sustainability goals, resulting in an entrenched focus on sustainability.

The SMF extends beyond Group boundaries, also focusing on the Group's value chain with the purpose of benefitting suppliers and their own dependent supply chains. Through its Supplier Code of Conduct, annual assessment of supply chain partners and ongoing awareness and engagement through Supplier Forum, the Group hopes to have a positive impact on key external stakeholders.

Sustainability Disclosures

The KFP Group uses both its Annual Integrated Report and corporate website as the primary means of responding to stakeholder concerns and outlining its sustainability strategy, including materiality assessments and management policies and processes. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with standard industry practices and GRI Standard. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Management Approach Disclosures section and can be found online at www.keellsfoods.com/sustainability/. Reference to specific information and disclosures required by the GRI Standards can be found through the GRI context index. Figures and statements have been rearranged, wherever necessary, to conform to the current year's presentation in terms of restatements and comparisons to the previous year.

ASSURANCE MECHANISMS

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

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

The Code of Conduct

The company and the KFP Group abide by the JKH Code of Conduct.

JKH Code of Conduct

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

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

- Anti-bribery controls to prevent payments and contributions being made with the aim of obtaining an improper business benefit from any party including, but not limited to, clients, service providers, customers, business associates and political parties; and
- Controls on gifting and favours. The giving or accepting gifts or favours in whatsoever form, including from clients, service providers, customers, business associates and political parties and any other stakeholder we engage within the course of carrying out duties in our professional capacity, is prohibited if it was possible on the part of a "reasonable person" to conclude that the giving/ acceptance of such gifts or favours could directly or indirectly affect one's independence in decision making and conduct as an employee and/or if it could be seen by others as a consideration for an official or business favour. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.
- In the event a gift or benefit of a threshold of above USD 50 per gift is given or received, based on business exigencies, these are monitored to ensure conformance with the Group's policies, including policies on gifts and entertainment. Such exceptions are required to be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), where in turn, these are collated and monitored centrally.

The Code of Conduct, and thereby all Group policies apply to all employees and Directors. All policies of the Company receive final approval at Board level and are readily available to employees in the official languages of Sri Lanka (Sinhala, Tamil and English). The Company Leadership, both the Board of Directors and the Group Executive Committee, spearheads the implementation of the Code.

The Group further strengthened its internal policy universe during the year under review, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies in terms of its interdependencies.

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

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

The KFP Group Values are found in the values section of the Annual Report.

Independent Directors

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

Board Sub-Committees

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

CORPORATE GOVERNANCE

it by the Board. For more information on the Board Sub- Committees refer Board Sub-Committee of this Commentary.

Employee Participation in Assurance

The KFP Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral-in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the Sector President and the management. Whilst employees have many opportunities to interact with senior management, the Company and the KFP Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal.

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

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

Whistle-blower Policy

The JKH Group's Whistle-blower Policy, adopted by the Company and its subsidiary, provides an effective mechanism for employees and other stakeholders to report any concerns regarding compliance and ethics. The policy offers a transparent and confidential process that encourages the reporting of such concerns. It covers the reporting process, how such reports will be addressed, and emphasizes that those who make a report in good faith under the policy will be protected from retaliation.

Key aspects of the Policy:

- Guidelines on the process through which concerns raised will be investigated and appropriate corrective/preventive action will be taken.
- Designated persons to whom reports can be made.
- Management responses and steps taken.
- Details of the internal inquiry process.
- Maintaining confidentiality.

INTERNAL CONTROLS

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

Internal Compliance

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

System of Internal Control

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

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

The JKH Group has in place two integrated frameworks, the 'JKH Fraud Deterrent and Investigation Framework' and the 'JKH Process Review Framework' that complement each other to strengthen the JKH Group's effort to promote anti- fraud, anti-corruption and anti-bribery by proactively recognising the changing context and operating landscape. The integrated fraud deterrent and investigation framework which enables an integrated platform for handling all aspects of fraud and stakeholder assurance, reinforces uniformity across common processes in matters relating to fraud, employs a data driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds. The Integrated Process Review Framework provides an innovative approach to internal audits which enable audits to be specific and very focussed on matters relevant to a business entity. Emphasis is placed on use-cases and events stemming from the current business strategy, which must get facilitated by participating processes, systems, and personnel which form micro-value chains with special attention to the efficacy of control and its placement to ensure the integrity of transaction as each traverse through each micro-value chain, at the time of audit reviews.

The digital system for quarterly financial and operational information management implemented, continues to perform as per expectations facilitating data capturing for compliance reporting, providing a sustainable and structured mechanism to enable top-down and bottom-up stakeholder engagement, and tracking the progression of how the compliance posture at an entity level has evolved, among others. The Forensic Data Analytics platform feeds into 'Internal Audit Scoping' and continues to be used to identify areas for process optimisation, strengthening controls and in feedback reporting to reinforce governance (management) and assurance structures.

The risk review programme covering the internal audit of the Group is outsourced. Reports arising out of such audits are, in the first instance, considered and discussed at the business/ functional unit levels and after review by the Sector Head and the President of the KFP group 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.

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

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

Initiatives to Strengthen Internal Controls

- The JKH Group engaged a leading international consultancy firm to conduct a comprehensive assessment of its cybersecurity resilience, leveraging industry-leading methodologies such as the Microsoft Cybersecurity Reference Architecture (MCRA) and Microsoft Cloud Security Benchmarks (MCSB) to fortify its technological backbone for future growth and resilience. By aligning with industry best practice and recommended technological principles, the Group aims to enhance performance, scalability, and reliability across its cloud ecosystem, positioning itself as a mobile-first, data-first, cloud-first, and AI-first organisation. Whilst proactively mitigating risk, this initiative was carried out to boost the efficiency, security and reliability of the Group's cloud ecosystem, underscoring the Group's commitment to delivering value to its stakeholders by maintaining robust and secure cloud infrastructure.
- JKH remains steadfast in its commitment to safeguarding stakeholder privacy amidst evolving regulations and technological advancements. The establishment of the JKH Data Governance Steering Committee, overseen by the JKH Group Executive Committee, aims to strengthen data governance practices in compliance with relevant laws, notably the Personal Data Protection Act No. 9 of 2022. Key initiatives during the reporting period included:
  - benchmarking initiatives
  - data lifecycle management
  - gap analysis
  - awareness creation
  - appointment of data protection officers for each industry group

CORPORATE GOVERNANCE

Internal Audit

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

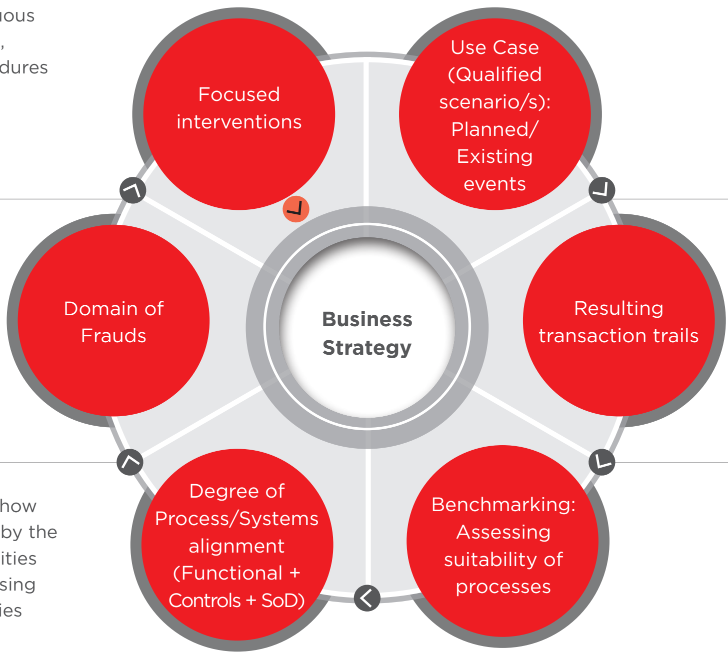
The New Internal Audit Approach: Continuous Emphasis on Context

Prompt active engagement based on prioritised remediation for identified opportunities for continuous improvement of existing processes, systems, standard operating procedures and practices

Central to this approach: Auditor determines how geared the factors of process, systems, and standard operating procedures are aligned and are ready to facilitate predominant use case [specific scenario (s)] that stem from events occurring, consequent to the current business strategy

Disclosure of a qualified list of Fraud that the process is assessed for its susceptibility and is based on authoritative sources such as ACFE (Association of Certified Fraud Examiners), and amongst others, Global knowledge resources of Audit firms

Transactions resulting from events are scrutinised, anomalies identified, and root cause (contributory effect of Process, Systems, People), and its potential impact to the Business are prioritised for further deliberation



Bottom-up evaluation : Determine how well process controls are enforced by the system(s) in use, identify opportunities for process automation and optimising enforcement of segregation of duties (SoD) to enhance efficiencies

Top-down assessment : Efficacy of the design and placement of Process/functional controls are validated/verified and benchmarked with contextually relevant best practices

To facilitate

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

Forensic data analytics to identify anomalies and facilitate behavioural oversight

Traditionally, internal auditing followed an approach which was based on a cyclical process that involves manually identifying control objectives, assessing and testing controls, performing tests, and sampling only a relatively small population of the dataset to measure control effectiveness and operational performance. Today, the KFP Group operates in a complex and dynamic business environment where the number of transactions has increased exponentially over the years and the traditional cyclical/sample based internal auditing techniques are becoming less effective. As such, the Group continues to use 'big data analysis' techniques on the total data using Standard Deviations and Z-Scores in establishing real time, user-friendly 'outlier identification' and 'early warning triggers'.

FORENSIC DATA ANALYTICS

The KFP group uses forensic data analytics to facilitate action towards investigating transactions that are distinct within its population, based on well-established algorithms that prompt attention to strengthen process and systems controls in ensuring the integrity of such transactions within its contextual domain.

A key success factor of this oversight mechanism is the use of advanced machine learning algorithms, that are continuously sensitised to each business's operating circumstances that trigger such transactions, and to remain relevant and insightful, by increasing its utility and providing optimisation opportunities for Continuous Controls Monitoring (CCM) and active intervention.

The KFP Group conjunction with the JKH Group, piloted and implemented a series of new initiatives throughout the year, to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement CCM and internal audit engagements.

Ombudsperson

The Ombudsperson who was appointed by the Parent Company, JKH, is available to report any complaints from employees of alleged violations of the published Code of Conduct if the complainant feels that the alleged violation has not been addressed satisfactorily by the internally available mechanisms.

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

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

i. The decision and the recommendations;

ii. Action taken based on the recommendations;

iii. Where the Chairperson or the Senior Independent Director of JKH disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons thereof.

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

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

Mandate and Role

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

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

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

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

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

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

Ombudsperson
31st March 2024

CORPORATE GOVERNANCE

EXTERNAL AUDIT

Messrs. Ernst & Young are the External Auditors of the Company and the Consolidated Financial Statements of the Group, while Luthra and Luthra Chartered Accountants is the external Auditor for the Subsidiary.

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

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

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

GOVERNANCE OUTLOOK AND EMERGING CHALLENGES

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

The pursuit of continuous improvement in governance, emphasis on environmental and social considerations, and a call for increased accountability and transparency continue to influence and shape the role of Board governance aspects, to not only mitigate risks but also fosters trust, attracts investment, and drives sustainable growth. The primary areas of focus and challenges, amongst many others, being continuously addressed by KFP Group are detailed in the ensuing section.

Board Diversity

KFP Group acknowledges the need and value in having a diverse Board and is conscious of the need to attract appropriately skilled Directors who subscribe to its vision, reflect and complement its values and have an in-depth understanding of the dynamics of its varied business interests. KFP Group is of the view that diversity improves a Board's understanding of its vast pool of stakeholders and aids the Group in addressing stakeholders' expectations in a more responsive manner. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics, experiences and backgrounds whilst maintaining a strong culture of meritocracy

Board Independence

Board independence is given considerable importance by stakeholders, stock exchanges and regulatory bodies worldwide. KFP Group's subscribes to the view that, for a Board to be effective, companies must take steps, both in their structures and nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest.

When looking at criteria for defining independence of Boards across countries, there is evidence that the intended outcome of achieving improved governance and greater independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, establishment of various assurance mechanisms and the use of systematic and comprehensive Board evaluation processes and independent director led engagements. To this end, KFP Group will continue to place emphasis on further augmenting the Board's independence whilst striking a balance with the Group's operating model, which addresses the complexities and intricacies of a diversified conglomerate setting.

Anti-Fraud, Anti-Corruption and Anti-Bribery

The KFP Group places the utmost importance on ethical practices in all its business operations and has promulgated a zero-tolerance policy towards bribery and corruption in all aspects of doing business and strives to maintain a culture of transparency and honesty in all its dealings with both internal and external stakeholders. The JKH Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, anti-money laundering, counter-terrorist financing, gifting, audit and transparency policies, amongst many others, outline the principles to which the KFP Group is committed in relation to preventing, reporting and managing unethical practices. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments, bribery, allowing oneself to be placed in situations of conflict of interest and dishonesty in financial and non-financial statements is prohibited across the Group.

Furthermore, the Group is continuously engaged in taking steps to strengthen its Code of Conduct deviation monitoring and resolution process.

Increasing Emphasis on Environmental, Social and Governance (ESG) Aspects

ESG analysis and ESG focused investing continue to gain traction amongst governments, multilateral funding agencies, investment professionals and high net-worth investors, given the aim of reducing negligent and irresponsible corporate behaviour that may have an adverse impact on the environment, infringe on human rights, and foster corruption and bribery, among others. Implementing effective ESG policies and practices is crucial for companies not only to attract talent and retain employee loyalty but also for its long-term survival and sustainable growth.

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

As a part its continuous efforts towards increasing emphasis and focus on ESG aspects, the JKH Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics. Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders. Stakeholder engagement sessions were also held with both internal and external stakeholders to gather insights. These efforts culminated in the determination of material ESG topics for KFP group.

The International Sustainability Standards Board (ISSB) released its first set of standards, IFRS S1 and IFRS S2, in June 2023. IFRS S1 focuses on the general requirements for disclosing sustainability-related financial information, while IFRS S2 details climate-specific disclosures. During the year, CA Sri Lanka issued the localised standard based on IFRS S1 and S2, designated as SLFRS S1 and S2. The standards will be effective from 1st January 2025. A comprehensive roadmap has been initiated to assess alignment with the new standard to review processes and disclosures required.

Continual Strengthening of Internal Controls

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

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

Refer System of Internal Control Section of this Commentary for initiatives during the year aimed at strengthening internal controls.

Digital Oversight and Cyber Security

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

CORPORATE GOVERNANCE

Data Protection, Information Management and Adoption
The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, continues to augur well for the Group. Given the emergence of regulations such as the European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022, data security, integrity and information management has become pivotal. In addition to this, the Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data. To this end, the Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

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

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

Need for Increased Transparency
Ensuring transparency is a continually evolving journey given progressing regulations, advancements in global best practice and complex stakeholder needs. Staying abreast of internally accepted best practice and continuously challenging the status quo is vital in this journey of being transparent. Additionally, transparency and accountability in reporting foster a foundation of trust with stakeholders which improves the credibility of the organisation, whilst also strengthening an organisation's legitimacy and reputation. Openly reporting on activities and challenges builds public trust and demonstrates a commitment to ethical practices. In today's information age, such aspects will aid organisations in differentiating themselves from a stakeholder's point of view, including attracting investment so long as the information is relevant to the stakeholder and does not create information overload where the material information may lose the perspective and attention it warrants.

In an organisation's journey towards transparency, the Government and regulatory bodies also need to play a pivotal role in ensuring the required foundations and criteria for good governance are advocated and put in place. Hence, it is vital for the regulatory frameworks of the country to evolve as corporates cannot operate in isolation within the ecosystem. For instance, Transparency International, including its local counterpart, Transparency International Sri Lanka advocates for the disclosure of Ultimate Beneficial Owners (UBO) of corporates. However, collating information on ultimate beneficial owners of entities is not possible as the country's regulations do not require this to be disclosed when purchasing shares in the Colombo Stock Exchange, and a listed entity cannot compile this information in isolation.

COMPLIANCE SUMMARY

The KFP Board, through its operating structures, strived to ensure that the Company and its subsidiary complied with the laws and regulations of the countries they operated in. Accordingly, the Group complied with all applicable laws and regulations of the countries it operates in, including anti-corruption and anti-bribery laws.

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

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the KFP Annual Report)
(i)	Names of persons who were Directors of the Company	Yes	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis, Annual Report of the Board of Directors and Financial Statements
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Your Share in Detail
(iv)	a) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement The public holding percentage in respect of non- voting Shares (where applicable) b) The public holding percentage in respect of Foreign Currency denominated Shares	Yes Not Applicable Not Applicable	Your Share in Detail
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Yes	Annual Report of the Board of Directors
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Enterprise Risk Management Report
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Not Applicable	During the year 2023/24, there were no material issues pertaining to employees and industrial relations of the Group
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Group Real Estate Portfolio
(ix)	Number of shares representing the Entity's stated capital	Yes	Your Share in Detail
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Your Share in Detail
(xi)	Financial ratios and market price information	Yes	Your Share in Detail and Key Figures and Ratios
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value	Yes	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable	
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Annual Report of the Board of Directors and Notes to the Financial Statements
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Yes	Corporate Governance report
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Corporate Governance Commentary/ Notes to the Financial Statements
(xvii) to (xxi)	Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities. Infrastructure Bonds and/or Shariah Compliant Debt Securities listed on the CSE	Not Applicable	

CORPORATE GOVERNANCE

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

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference (within the KFP Annual Report)
7.10.1 Non-Executive Directors (NED)			
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	All Board members are NEDs. The KFP Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time
7.10.2 Independent Directors			
a.	2 or 1/3 of NEDs, whichever is higher shall be "independent"	Yes	3 out of the 7 NEDs are Independent
7.10.5 Remuneration Committee			
a.(1)	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee of the Parent Company (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs
7.10.6 Audit Committee			
a.(1)	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs
a.(2)	A NED shall be the Chairman of the committee	Yes	The Chairman of the Audit Committee is an Independent NED
a.(3)	CEO and CFO should attend AC meetings, unless otherwise determined by AC	Yes	The Industry Group President, Chief Financial Officer and CEO are permanent invitees to all Audit Committee meetings and the External Auditors attended most parts of the Audit Committee meetings by invitation
a.(4)	The Chairman of the AC or one member should be a member of a recognised professional accounting body	Yes	One of the members of the AC is a member of a recognised professional accounting body
b.	The Functions of the Audit Committee	Yes	The Audit Committee carries out all the functions prescribed in this section
b.(1)	Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with SLFRS/LKAS	Yes	Refer the Report of the Audit Committee
b.(2)	Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements	Yes	Refer the Report of the Audit Committee
b.(3)	Overseeing the process to ensure the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/ LKAS	Yes	Refer the Report of the Audit Committee
b.(4)	Assessment of the independence and performance of the Entity's External Auditors	Yes	Refer the Report of the Audit Committee

CSE Rule		Compliance Status	Reference (within the KFP Annual Report)
b.(5)	Make recommendations to the Board pertaining to External Auditors	Yes	Refer the Report of the Audit Committee
c.(1)	Names of the Audit Committee members shall be disclosed	Yes	Refer the Report of the Audit Committee
c.(2)	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer the Report of the Audit Committee
c.(3)	Report on the manner in which Audit Committee carried out its functions and manner of compliance of Company in relation to the above	Yes	Refer the Report of the Audit Committee

Statement of Compliance under Section 9 of the Revised Listing Rules of the CSE on Corporate Governance, effective as at 1 April 2024

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	Reference (within the KFP Annual Report)
9.1 Corporate Governance Rules			
9.1.3	A statement confirming compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and has stated so within the Report with any deviations explained where applicable
9.3 Board Committees			
9.3.1 b/c/d	Minimum required Board Committees	Yes	The required Committees are maintained, and are functioning effectively
9.3.2	Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees	Yes	The Group is in compliance with the requirements in respect of the Board Committees
9.4 Meeting procedures and the conduct of all General Meetings with shareholders			
9.4.1	Records of all resolutions and the following information upon a resolution being considered at any General Meeting shall be maintained	Yes	The Group maintains all records and information regarding resolutions considered at General Meetings
9.4.2 a/b/c	Communication and relations with shareholders and investors	Yes	Refer Stakeholder Management and Effective Communication Section
9.6 Chairperson and CEO			
9.6.1	Requirement for a SID if the positions of Chairperson and CEO are held by the same individual	Not Applicable	-
9.6.2	Market announcement on the rationale behind the appointment of a SID	Not Applicable	-

CORPORATE GOVERNANCE

CSE Rule		Compliance Status	Reference (within the KFP Annual Report)
9.6.3 a-d	Requirement for a SID	Not Applicable	-
9.6.3 e	SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties	Not Applicable	-
9.6.4	Rationale for the appointment of a SID set out in the Annual Report	Not Applicable	-
9.7 Fitness of Directors and CEO			
9.7.1-9.7.5	Requirement to meet the fit and proper criteria stipulated by the CSE and related disclosures	Yes	Directors are required to provide general disclosures and declarations on fitness and propriety annually and are required to report any material changes to the information provided therein, including any changes to their professional responsibilities and business associations, to the Board The Nominations Committees reviews and makes recommendation to the Board on the fitness and propriety of Directors No non-compliances were reported during the year in this regard
9.8 Board Composition			
9.8.3 (i) to (viii)	Requirements for meeting the criteria to be an Independent Director	Yes	Details of the independence criteria are explained within the Corporate Governance Commentary
9.8.5 a/b/c	The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent'	Yes	All NED/IDs have submitted declarations as to their independence, and a determination of their independence is evaluated
9.9 Alternate Directors			
a-e	Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association.	Yes	No Alternate Directors appointed during the financial year. CSE has granted a waiver to amend the Articles of Association to incorporate the requirements of the Rules at an EGM to be held on the same day as the date of the AGM
9.10 Disclosures relating to Directors			
9.10.2/ 9.10.3	Market announcement upon the appointment of a new director and any changes to the Board composition	Yes	Timely market announcement of the new NED/IDs appointed are made through the CSE
9.10.4 a-i	Details in relation to the Board members	Yes	Refer Board of Directors section
9.12 Remuneration Committee			
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on EDs and individual Directors	Yes	The remuneration of the Executive Directors is determined as per the remuneration principles of the JKH Group and recommended by the Human Resources and Compensation Committee of JKH

CSE Rule		Compliance Status	Reference (within the KFP Annual Report)
9.12.4	Remuneration for NEDs shall be based on a policy of non-discriminatory pay practices to ensure the independence	Yes	Refer Director Remuneration section
9.12.5	The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Yes	Refer Human Resources and Compensation Committee section
9.12.6 (2)	Where the parent company and the subsidiary are Listed Entities, the Remuneration Committee of the parent company may function as the Remuneration Committee of the subsidiary	Yes	The remuneration committee, which is equivalent to the Human Resources and Compensation Committee of JKH, the ultimate parent company, shares its Human Resources and Compensation Committee with KFP
9.12.6 (3)	An ID shall be appointed as the Chairperson of the Remuneration Committee	Yes	Refer Human Resources and Compensation Committee section
9.12.7	Functions	Yes	Refer Human Resources and Compensation Committee section
9.12.8 a	Names of Remuneration Committee Chairperson and members	Yes	Refer Human Resources and Compensation Committee section
9.12.8 b	Statement of Remuneration policy	Yes	Refer Human Resources and Compensation Committee section
9.12.8 c	Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section
9.13 Audit Committee			
9.13.2	The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties.	Yes	Refer Audit Committee section
9.14 Related Party Transactions Review Committee			
9.14.2 (1)	Related Party Transactions Review Committee shall comprise of a minimum of 3 members, majority of whom should be IDs and an ID shall be appointed as the Chairperson	Yes	The Related Party Transactions Committee comprises only of Independent Directors and maintained the minimum requirement of 3 members throughout the year
9.14.2 (2)	Where the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may function as the Related Party Transactions Review Committee of the subsidiary	Yes	The Related Party Transactions Review Committee of JKH, the ultimate parent company shares its Related Party Transactions Review Committee with KFP.

CORPORATE GOVERNANCE

CSE Rule		Compliance Status	Reference (within the KFP Annual Report)
9.14.3	Functions	Yes	Refer Related Party Transactions Review Committee section
9.14.4	General Requirements	Yes	Refer Related Party Transactions Review Committee section
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Yes	Refer Related Party Transactions Review Committee section
9.14.6	Shareholder Approval	Yes	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year
9.14.8 (1)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Refer Notes to the Financial Statements
9.14.8 (2)	Details pertaining to Recurrent Related Party Transactions	Yes	Refer Notes to the Financial Statements
9.14.8 (3)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transactions Review Committee
9.14.8 (4)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Refer Annual Report of the Board of Directors
9.14.9 (1)/(2)	Shareholder approval for acquisition and disposal of substantial assets	Yes	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year
9.14.9 (4)/(5)/(6)	Competent independent advice on acquisition and disposal of substantial asset	Yes	The Group has not acquired/disposed substantial assets from/to related parties
9.16 Additional Disclosures			
(i)	Directors have disclosed all material interests in contracts and have refrained from voting when materially involved	Yes	Directors make a disclosure of interests at appointment, at the beginning of every financial year and during the year as required
(ii)	Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence	Yes	Board takes steps to ensure the integrity of internal control systems remain effective via the review and monitoring of such systems on a periodic basis
(iii)	Directors are aware of laws, rules and regulations and their changes particularly to Listing Rules and applicable capital market provisions	Yes	Refer Board Induction and Training section
(iv)	Disclosure of material non-compliance with laws/regulations and fines by relevant authorities where the Entity operates	Not Applicable	-

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

MANDATORY PROVISIONS - FULLY COMPLIANT

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

CODE OF BEST PRACTICE OF CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

VOLUNTARY PROVISIONS

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

Directors	• The Group is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen. • Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals. • Board Balance is maintained as the Code stipulates. • Specified information regarding Directors is shared in the Corporate Governance Commentary
Directors' Remuneration	• The Human Resource and Compensation Committee, consisting of exclusively NEDs of John Keells Group is responsible for determining the remuneration of President/Sector Head. • Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under Directors' Remuneration Section and is in line with the Code.

CORPORATE GOVERNANCE

Relationship with Shareholders	• There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute. • The KFP Group has in place multiple channels to reach shareholders as discussed under the Stakeholder Management and Effective Communication section.
Accountability and Audit	• Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the company carried out all business in accordance with regulations and applicable laws, equitably and fairly. • The Group continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements. • There is an annual review of the effectiveness of the Group's risk management and internal controls which ensures the maintenance of a sound system of internal control which is reported on under the Internal Controls section. • The Internal Audit function and the Audit Committee, functions as stipulated by the Code, and are discussed under the Audit Committee section. • A Related Party Transactions Review Committee of JKH is in place and functions in line with the Code. • There were no violations of the Group Code of Conduct and the Code of Business Conduct and Ethics during the year, which is mentioned under the Chairperson's Message section.
Institutional Investors	• The Group conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.
Other Investors	• Individual shareholders investing directly in shares of the Group are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.
Sustainability Reporting	• ESG (Environmental, Social, and Governance) is a pivotal consideration in the Group's decision making. In reporting performance, the Annual Report covers ESG disclosures through the <IR> framework, GRI standards and operations in conformity with the Principles of the United Nations Global Compact and United Nations Sustainable Development Goals.
Internet and Cybersecurity	• The JKH Board has prioritised cybersecurity by appointing a dedicated member responsible for overseeing it within the JKH group. The KFP Group has implemented a JKH group policy, conduct periodic reviews to ensure its effectiveness, discuss cybersecurity risks at the board level, and disclose the management of risks in the annual report. Furthermore, measures have been taken to secure connectivity for both internal and external devices.

Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lanka

CA Sri Lanka issued a revised Code of Best Practice on Corporate Governance in December 2023, effective from 1 April 2024. While the KFP Group has presented its compliance in line with the 2017 Code of Best Practice on Corporate Governance, The KFP Group has reviewed the 2023 Code for further adoption, as applicable, and relevant to the KFP Group.

ENTERPRISE RISK MANAGEMENT

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

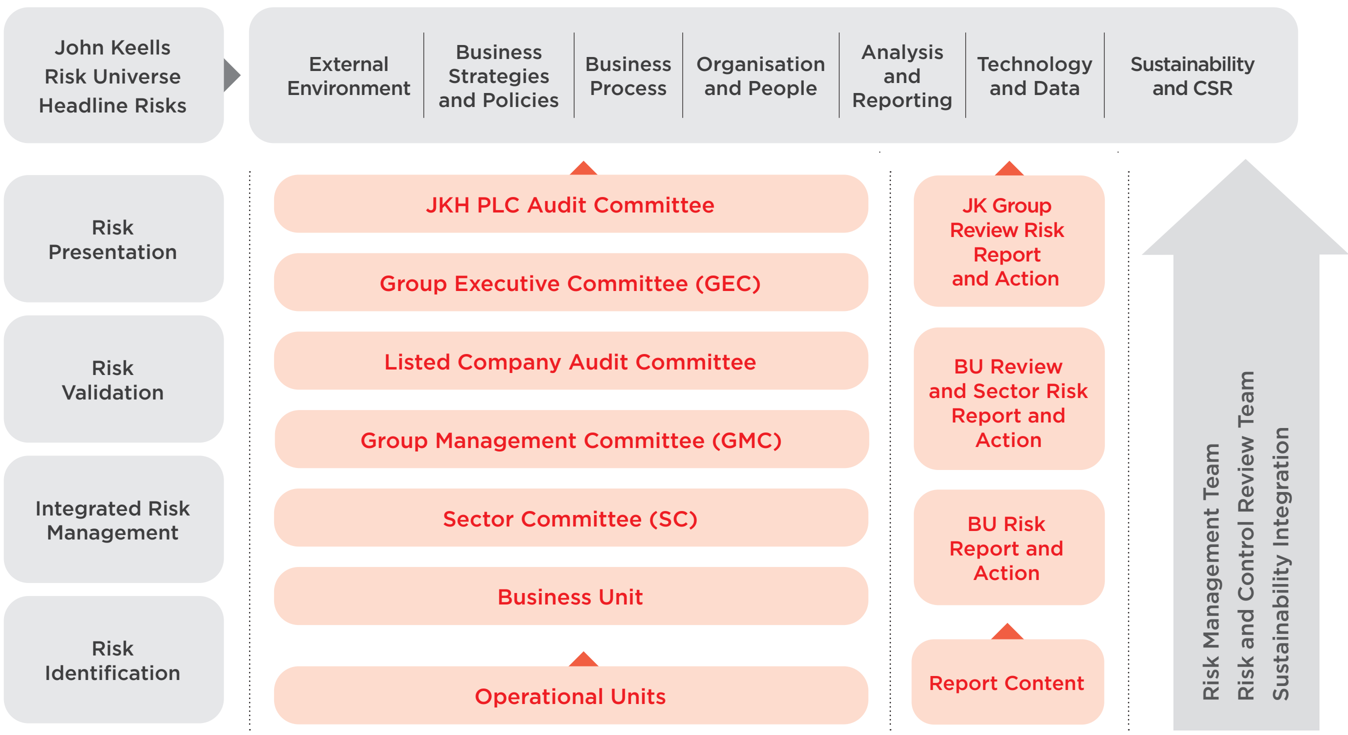
KFP's approach to risk management is aligned with the John Keells Group's Enterprise Risk Management (JKH ERM) Framework. The Enterprise Risk Management cycle begins in the first quarter of the year with the annual risk review of all Business Units by the JKH ERM Division.

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

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

The risk management process and information flow adopted by John Keells Group is depicted below in table 1.

Table 1 - John Keells Group Risk Management Process



ENTERPRISE RISK MANAGEMENT

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

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

   The identified risks are classified as

   i. **Common Risks** - Common Risks are those risks which commonly appear on the risk grids of several companies of the John Keells Group. These risks are incorporated in the risk grid of the Group Executive Committee of JKH and are rated based on a consolidation of the risk ratings of such risks in the RCSAs of the constituent businesses.

   ii. **Business Specific Risks** - Business Specific Risks are defined as those risks which are applicable only to an individual line of business.

   iii. **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. These are risks that threaten the sustainability or long term viability of a business.

2. **Establishment of a Risk Register with Likelihood of Occurrence and Severity of Impact**
   Using the JKH Group guidelines, a risk grid is established for the Company and its Subsidiary. Every risk is analysed in terms of likelihood of occurrence and severity of impact and assigned a score ranging from 1 (low probability/ impact) to 5 (high probability/ impact) to signify the probability of occurrence and the level of impact to the organisation. Please see Table 2 for further details.

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

Table 2 -Guideline for Rating Risks

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

The Colour Matrix implies the following;

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

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

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

RISK UNIVERSE

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

Table 3 - KFP Risk Universe

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

INTEGRATED RISK MANAGEMENT

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

ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT DURING THE REPORTING YEAR

The financial year 2023/24 reflected improvement in the macro-economic conditions and gained stability during the year. This in turn attributed to the gradual relaxation of monetary policies, achieving single-digit inflation rates, and stabilizing foreign currency markets. However, the recent increase in VAT rates, extension of VAT to previously exempted items, and rising fuel costs and electricity tariffs have impacted supply chain cost, logistics, consumer spending, and overall operational dynamics. The Company continues to enhance its risk identification, analysis, and assessment procedures to effectively respond to current and potential risks, engage with stakeholders, and better align risk management with strategy. Furthermore, the economic recession has brought out the importance of seeing ERM as a strategic process that provides value for an organisation, rather than merely a statutory obligation.

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

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2023/24	2022/23
Macro-Economic Environment, changes in interest rate, exchange rate, electricity and fuel prices, taxes and tariffs	Macro-economic fundamentals such as inflation, GDP growth, interest rates, exchange rates, policy developments relating to tax/duty structures, and energy prices directly impact the fixed and variable costs of the Company as well as consumer disposable income which in turn impacts sales volumes. The cost of locally sourced and imported raw materials constitutes a significant portion of our cost of production, due to which the changes in borrowing rates and changes in duties and taxes have a considerable impact on the cost base. Effective from January 1st, 2024, the Value-Added Tax (VAT) rate has increased from 15% to 18%, coupled with the removal of exemptions for certain goods and services. This has significantly impacted the purchasing power of consumers and, consequently, negatively affected the performance of businesses due to the discretionary nature of product offerings in KFP. This change has also created complexities in cost management. Consequently, the intense competition within the market and the dwindling purchasing power of consumers have made it impossible to pass on these increased costs to customers. As a result, profit margins have experienced a decline during the year.	• Continuous review of emerging macro-economic developments and consumer behaviour through market surveys. • Strengthen local procurement through the development of local suppliers as a substitute to imported raw materials to mitigate the cost impact of certain imports. • Proactive demand planning and frequent projections carried out due to uncertainty and the volatility in the market in order to meet the set targets. • Strategic planning in sourcing and holding buffer inventory for the smooth execution of the production plan. • Proactively engaging with the Government to create a conducive industry environment along with other leading manufacturers, retailers and suppliers. • Manage fixed and variable rate borrowing options to mitigate risk and forward booking for imports to hedge against exchange rate risks. • Working with JKH Group Treasury to leverage on its capabilities to manage the availability of foreign currency. • Continuous monitoring of the existing banking facilities and re-negotiating on possible enhancements to the existing facilities.	●	●

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2023/24	2022/23
	Inconsistencies in electricity tariffs, including an average increase of 40% in February 2023 and a further 12% increase in October 2023, have resulted in cost escalations for energy-intensive manufacturing processes, cold storage, and distribution channels, resulting in further margin deterioration. The impact of last year's changes in Personal Income Tax (PIT) reliefs and tax slab reforms has further extended into the current year, resulting in a drop in consumption and consequently leading to a decline in sales volumes.	• Obtaining short-term loans to fund working capital requirement and long term facilities to fund the capex. • Enhancement of products for price and quality conscious customers. • Initiatives to support distributors through economic challenges stemming from indirect tax hikes and rising fuel and electricity costs. • Weekly/ monthly cashflow monitoring to ensure cashflows are planned and control to minimise finance cost.		
Volatility of material prices and inconsistency in supply of raw materials	The Company is exposed to price volatility in the market, especially in raw meat, packing material and fuel which are the key materials of the Company. During the year, the Company was adversely impacted by sharp and unexpected changes in material prices which cannot be readily passed on to the customer, thereby impacting profit margins. The escalation in costs intensified due to the increase in VAT from 15% to 18%, the imposition of VAT on previously exempted goods, and an increase in electricity tariffs during a significant portion of the financial year.	• Entering into long-term contracts with suppliers at guaranteed terms. • Supporting suppliers through the provision of financial assistance at concessionary interest rates, and shorter credit period. • Increasing the supplier base and, monitoring of material prices on a continuous basis. • In house deboning of raw meat to mitigate price volatility. • Ongoing focus on backward integration to mitigate the impact of input price volatilities. • Compliance to stringent quality criteria in material procurement. • Capacity development of local farmers to share industry best practices. • Pursued partnerships with alternative suppliers as a means of obtaining direct imports at a low cost. • Development of alternative recipes and value engineering to mitigate the cost impact without compromising on the taste and the quality of the products. • Carrying a buffer stock to face the unforeseen situations in the market.		

ENTERPRISE RISK MANAGEMENT

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating 2023/24	Risk Rating 2022/23
Vulnerabilities from IT related risks (Cyber Risk)	As the Company increasingly relies on IT and digital services, it is inevitably exposed to risks stemming from data privacy, cyber-crime and other ICT risks. With the digitization and increased connectivity to company networks, potential risks related to network security, information leakage, and device stability have escalated. Reliance on cloud infrastructure and data retention increase the risk of unauthorised access, potential downtime that may disrupt Company operations and noncompliance with the regulations. The Group is exposed to emerging regulations such as the European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022. As a result, data security, integrity, and information management have become pivotal considerations.	• Installing stringent access controls, firewalls, security software and dedicated user IDs. • A comprehensive disaster recovery plan is in place to ensure continuity of business operations. • Availability of a dedicated Information Security and the use of appropriate software. • Maintain up to date virus definition files and firewalls. • Obtain daily, weekly, and monthly "on-site" and "off-site" data backups, cloud storage for all users. • The Group will continue to enhance its data governance structure to establish clear ownership and accountability for well-defined data governance policies, processes, and group-wide data quality standards.	● Low	● Low
Business process and product liability risk	The Company has identified Business Process and Product Liability as a core risk which can arise due to any defect in the product and/ or manufacturing process such as food contamination and poisoning.	• External assurance on the manufacturing processes including certifications such as ISO 9001:2015 and ISO 22000: 2018 and Halal Certificate. • Adherence to Good Manufacturing Practice (GMP) and Food Safety standards. • Fully compliant with rules and regulations which are imposed by the Consumer Affairs Authority's and other statutory bodies. • Established a Complaint Management System (CMS). • Implemented new test kits methods which are certified under AOAC and ISO certification which provides results within 24 hours with a greater accuracy. • Deployed "Physical Quality Checkers" in the manufacturing facilities whose preliminary responsibility is to observe the entire manufacturing processes to ensure production is carried out according to the stipulated regulations and standards.	● Low	● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2023/24	2022/23
Meeting quality expectations, change in customer expectations	The food manufacturing industry is subject to general risks of food spoilage or contamination, consumer preferences with respect to nutrition and health related concerns, governmental regulations and consumer liability claims. These risk if materialised, could impact Company's reputation leading to loss of market share and possible litigation.	• The Company has put in place a comprehensive quality assurance system powered by qualified specialists using international benchmarks, which considers all product and process innovations to avoid any regulatory, health and nutrition related concerns. • Validating all nutritional standards of the products with respect to Government regulations. • Use of high-quality ingredients which satisfy international and local regulatory standards. • Ensure compliance with the ISO 22000:2018 (food safety standard) and ISO 9001:2015 (Quality Management Systems). • The effluent treatment plant at Pannala upgraded to match the latest technology and to address the specific requirements in relation to the water related quality standards. • Recipe validation was done covering every product range to improve the consistency. • Inspections at the distributor's cold chain facilities and strengthening the sites of raw material suppliers by visiting them on a regular basis. • Introduction of Data loggers inside the delivery vehicles to monitor their freezer temperature and thereby to ensure consistent cold chain. • A system with restricted access has been created to ensure data security and confidentiality of QA related documents in both Pannala and Ekala.	●	●
	In order to proactively understand and meet emerging customer expectations, the Company is required to monitor and keep up to date with market trends to ensure a satisfied and loyal customer base and retain the competitive edge.	• Strengthened microbiology and sensory evaluation system covering entire product portfolio prior to market release. • Continued monitoring of customer preferences and development of products to suit these emerging requirements. • Continuous upgrading of recipes.		

ENTERPRISE RISK MANAGEMENT

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2023/24	2022/23
		• Increased focus on strengthening our value-for-money offering, given customers' increased concerns on product affordability. This included value engineering of products and expanding the small-sized pack for several key products. • Launch of new KeellsKrest Pasta Range (Chifferi and Seashells Pasta), the introduction of two products for General Trade (KeellsKrest BIG Chicken Sausages and KeellsKrest Meat Balls), retail packs for Modern Trade (featuring Pork Frankfurters, Nuremberg Sausage, Weiswurst, and Pork Bockwurst), and the revamp of the Kochchi Bite range to ensure a satisfied and loyal customer base.		
Human Resources, Labour Relations, Talent Management	Key Human Resource areas such as recruitment, career development, performance management, training and development, competency frameworks, coaching and mentoring, talent management, reward and recognition, compensation and benefits have been reviewed and revised to align with JKH Group policies and industry best practice. The Company has 400 permanent employees of which 33% are represented by unions. For KFP, weakening of labour relations could result in a significant increase in labour costs, disruption to operations and increase in production down time and could impact the image of the Company. The company's operations may be impacted by the potential loss of experienced employees due to skill migration trend prevalent in the country. The 2023 increase in Personal Income Tax (PIT) and tax slab reforms had a significant impact on employee retention and rewards in the current year.	• Maintaining ongoing dialogue on a proactive basis with union representatives to maintain cordial industrial relations. • Embedded various personnel development programmes to develop skills and capabilities. • Aligning Compensation and Benefits (C&B) structures and organisational culture to suit contemporary trends while strengthening emotional connections with regular employee engagement activities. • The extension of paternity leave to 100 days to support employees in meeting their early childcare responsibilities.	●	●

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2023/24	2022/23
Health and Safety	Ensuring a safe working environment for employees remains a top priority to ensure safety and improve the motivation and the productivity of the staff while reducing accidents at the workplace. A rise in workplace accidents could elevate the risk of employee turnover.	• The Company has obtained the ISO 45001: 2018 system certifications related to Occupation Health and Safety Management System (OHSMS) for both Pannala and Ekala Plant. • The factories are registered with district factory inspecting engineer office to be comply with the new law introduced in 2019.	●	●
Environmental implications arising from effluent water, gas leaks and incinerator fumes	As a manufacturing organisation, KFP's environmental impacts include water discharge, incinerator fumes, disposal of waste and the possibility of gas or fuel leaks that could escape to the surrounding environment. These impacts can affect the Company's reputation which can have a prolonged adverse impact on operations. Implications of climate change and adverse weather patterns could also impact the Company's supply chain, leading to unforeseen cost escalations.	• Comprehensive environmental management framework aligned to the Parent entity, which includes targets for reducing energy, water and carbon intensity. • Responsible disposal in wastewater of the Ja-Ela manufacturing facility directly to the Central Waste-water Treatment plant which is maintained by National Water Supply and Drainage Board. • The wastewater of the Pannala manufacturing facility is treated through an Effluent Treatment Plant within the factory before being irrigated in the land of the factory premises. • A Dissolved Air Flotation system (DAF) was installed in Pannala facility which separates the solid waste and reduce the amount of effluent treated. • Waste water quality checks are done on a fortnightly basis through accredited laboratories to ensure the treated water conforms to the COD and BOD levels that are stipulated under the EPL.	●	●
Credit Risk	Credit facilities are offered to the Company's customers and distributors in keeping with the industry norms. Hence, the Company is exposed to the risk of defaulting payments and increase in cost of operations due to bad debts. Due to low offtake in the market, coupled with high electricity costs retailers faced financial constraints and credit limitations which resulted in payment delays.	• Continuous evaluation of credit worthiness to set up credit limits. • Maintaining bank guarantees and progressively increasing bank guarantee requirements to minimise exposure. • Granting approval on additional credit facilities by adequately safeguarding exposures with sufficient asset backed securities. • Weekly monitoring of debtors and frequently ensuring the outstanding are settled on time despite of the contraction of the economic activities.	●	●

ENTERPRISE RISK MANAGEMENT

● High ● Medium ● Low

Risk Factor	Impact on Value Creation	Risk Mitigation Actions	Risk Rating	
			2023/24	2022/23
Instability of Distributor network	Instability in the distributor network due to escalation in costs from inflationary pressures and increase in taxes along with drop in volumes due to reduction in consumer spending.	• Monthly monitoring of distributor profitability and identifying distributors who needed financial support. • Assistance by way of extended credit, margin enhancements and advice in cashflow management and cost controls.	●	●
Natural disaster and fire	Natural disasters such as earthquakes, storms, floods and fire give rise to major adverse events which could be beyond a controllable proportion and can significantly affect the Company's business process by way of loss of life, loss and damage to property and disruption of operations.	• Obtaining adequate insurance covers on all properties. • Implemented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) with regular drills. • The Company has factories in two separate locations, which can also serve as an alternative in the case of an emergency due to the occurrence of natural disasters or a fire. • The Company has obtained "The Means of Escape" certificate from factory inspecting engineer which is a legal requirement that needs to be fulfilled according to the section no 39 of the factory ordinances No. 45 of 1942. • Also, BCP is supported by an Occupational Health and Safety Management System (OHSMS). KFP obtained the ISO 45001:2018, which is integrated with our daily operations, and it is supported by awareness, training, and system audits. KFP has also developed and trained the Emergency response plan (ERP) for employees. • The Company is registered with the fire brigade.	●	●
Reputation Risk	The Company recognizes that reputational risk encompasses the potential harm to its image and positioning in the eyes of stakeholders, including customers, investors, employees, and the public. This risk arises from adverse events, actions, or perceptions that tarnish the company's reputation.	• Ensure compliance with JKH Group policies and applicable laws, adhere to corporate governance, ethical behaviour, and maintain positive customer relationships to foster trust and goodwill among stakeholders and the community.	●	●

GRI CONTENT INDEX

Statement of use	Keells Food Product PLC has reported with reference to the GRI Standards for the period 1st April 2023 to 31st March 2024
GRI 1 used	GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	**The organisation and its reporting practices**				
	2-1 Organisational details	4, 147			
	2-2 Entities included in the organisation's sustainability reporting	4, 147			
	2-3 Reporting period, frequency and contact point	4, 147			
	2-4 Restatements of information	4			
	2-5 External assurance		2-5	Not applicable	We have not sought external assurance on our sustainability reporting
	Activities and workers				
	2-6 Activities, value chain and other business relationships	22			
	2-7 Employees	42			
	2-8 Workers who are not employees	42			
	Governance				
	2-9 Governance structure and composition	61			
	2-10 Nomination and selection of the highest governance body	71			
	2-11 Chair of the highest governance body	76			
	2-12 Role of the highest governance body in overseeing the management of impacts	61			
	2-13 Delegation of responsibility for managing impacts	61			
	2-14 Role of the highest governance body in sustainability reporting	86			
	2-15 Conflicts of interest	67			
	2-16 Communication of critical concerns	93			
	2-17 Collective knowledge of the highest governance body	64, 65			
	2-18 Evaluation of the performance of the highest governance body	66			
	2-19 Remuneration policies	45, 68,70			
	2-20 Process to determine remuneration	70			
	2-21 Annual total compensation ratio		2-21	Confidentiality constraints	Industry does not disclose this information due to confidentiality reasons.

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
	Strategy, policies and practices				
	2-22 Statement on sustainable development strategy	32			
	2-23 Policy commitments	59			
	2-24 Embedding policy commitments	79,90			
	2-25 Processes to remediate negative impacts	108			
	2-26 Mechanisms for seeking advice and raising concerns	28			
	2-27 Compliance with laws and regulations	58			
	2-28 Membership associations	52			
	Stakeholder engagement				
	2-29 Approach to stakeholder engagement	28			
	2-30 Collective bargaining agreements	45			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	30			
	3-2 List of material topics	31			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	9			
	201-2 Financial implications and other risks and opportunities due to climate change	114			
	201-3 Defined benefit plan obligations and other retirement plans	45, 193			
	201-4 Financial assistance received from government	29			
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	43			
	202-2 Proportion of senior management hired from the local community	43			
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	37			
	203-2 Significant indirect economic impacts	24			

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	51			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	94			
	205-2 Communication and training about anti-corruption policies and procedures	94			
	205-3 Confirmed incidents of corruption and actions taken	KFP did not come across incidents of corruption during the current financial year			
Anti-competitive behaviour					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	199			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 207: Tax 2019	207-1 Approach to tax	84			
	207-2 Tax governance, control, and risk management	84			
	207-3 Stakeholder engagement and management of concerns related to tax	84, 85			
	207-4 Country-by-country reporting		207-4	Not applicable	Not relevant to the Company's operations
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	55			
	301-2 Recycled input materials used		301-2	Not applicable	Not relevant to the Company's operations
	301-3 Reclaimed products and their packaging materials		301-3	Not applicable	Not relevant to the Company's operations

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	55			
	302-2 Energy consumption outside of the organisation		302-2	Information unavailable/ incomplete	
	302-3 Energy intensity	55			
	302-4 Reduction of energy consumption	55			
	302-5 Reductions in energy requirements of products and services		302-5	Not applicable	Not relevant to the Company's operations
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	55			
	303-2 Management of water discharge-related impacts	55			
	303-3 Water withdrawal	56			
	303-4 Water discharge	56			
	303-5 Water consumption	56			
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		304-1	Not applicable	Not relevant to the Company's operations
	304-2 Significant impacts of activities, products and services on biodiversity		304-2	Not applicable	Not relevant to the Company's operations
	304-3 Habitats protected or restored		304-3	Not applicable	Not relevant to the Company's operations
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		304-4	Not applicable	Not relevant to the Company's operations

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	57			
	305-2 Energy indirect (Scope 2) GHG emissions	57			
	305-3 Other indirect (Scope 3) GHG emissions	57			
	305-4 GHG emissions intensity	57			
	305-5 Reduction of GHG emissions	57			
	305-6 Emissions of ozone-depleting substances (ODS)	57			
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	57			
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	56			
	306-2 Management of significant waste-related impacts	56			
	306-3 Waste generated	56, 57			
	306-4 Waste diverted from disposal	56, 57			
	306-5 Waste directed to disposal	56			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	51			
	308-2 Negative environmental impacts in the supply chain and actions taken	51			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	43			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	45			
	401-3 Parental leave	42			
Labour/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	45			

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	44			
	403-2 Hazard identification, risk assessment, and incident investigation	44			
	403-3 Occupational health services	44			
	403-4 Worker participation, consultation, and communication on occupational health and safety	44			
	403-5 Worker training on occupational health and safety	44			
	403-6 Promotion of worker health	44			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	44			
	403-8 Workers covered by an occupational health and safety management system	44			
	403-9 Work-related injuries	44			
	403-10 Work-related ill health	44			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	46			
	404-2 Programmes for upgrading employee skills and transition assistance programmes	46			
	404-3 Percentage of employees receiving regular performance and career development reviews	46			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	42, 64			
	405-2 Ratio of basic salary and remuneration of women to men	45			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	47			

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	51			
Child labour					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	42, 51			
Forced or compulsory labour					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 409: Forced or Compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	42, 51			
Security practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		410-1	Not applicable	Not relevant to the Company's operations
Rights of indigenous peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		411-1	Not applicable	Not relevant to the Company's operations
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	51			
	413-2 Operations with significant actual and potential negative impacts on local communities	The Company has not identified any operations with significant negative impact on the local communities			

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	51			
	414-2 Negative social impacts in the supply chain and actions taken	51			
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 415: Public Policy 2016	415-1 Political contributions	29			
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	50			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	50			
Marketing and labelling					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	50			
	417-2 Incidents of non-compliance concerning product and service information and labelling	50			
	417-3 Incidents of non-compliance concerning marketing communications	50			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	30			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		418-1	Not applicable	Not relevant to the Company's operations

POSITIVE

FINANCIAL INFORMATION

FINANCIAL CALENDAR

	Date
First Quarter Released on	18th July 2023
Second Quarter Released on	6th November 2023
Third Quarter Released on	30th January 2024
Fourth Quarter Released on	20th May 2024
Annual Report 2023/24 Released on	20th May 2024
Forty Second Annual General Meeting on	18th June 2024

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Keells Food Products PLC (Company) has pleasure in presenting the 42nd Annual Report of your Company which covers the Audited Financial Statements of the Company and its Subsidiary John Keells Foods India (Private) Limited (Subsidiary), Chairperson's Review, Corporate Governance Commentary, Management Discussion and Analysis, Risk Management and all other relevant information for the year ended 31st March 2024.

The management has formed judgment that the Group have adequate resources to continue in operational existence for the foreseeable future driven by the continuous application of risk mitigation initiatives and monitoring of business continuity, and response plans by the operations, backed by the financial strength of the Group.

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

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

CORPORATE VISION AND VALUES

A culture of innovation, integrity, excellence, caring and trust has been developed within the Group. By being aligned with these values the Directors and employees conduct their activities in accordance with the highest levels of ethical standards to achieve the vision, "Our passion is to deliver pleasure and nutrition throughout people's lives, through exciting and superior products, whenever and wherever they choose to eat and drink."

PRINCIPAL ACTIVITIES

Company

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

Subsidiary

John Keells Foods India (Private) Limited.

The principal activity of John Keells Foods India (Private) Limited (JKFI) is the marketing of processed meat products in India. JKFI was incorporated on the 7th of April 2008. JKFI has not carried out any commercial operations during the year ended 31st March 2024.

Ultimate Parent

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

REVIEW OF BUSINESS SEGMENTS

A review of the financial and operational performance and future business developments of the Group is described in the Chairperson's Review and in the Management Discussion and Analysis section of the Annual Report. These reports form an integral part of the Annual Report of the Board of Directors and together with the Audited Financial Statements provide a fair review of the performance of the Company and its Subsidiary during the financial year ended 31st March 2024. The Segment- wise contribution to Group revenue, results, assets and liabilities are provided in Note 7.1 to the Financial Statements of this Annual Report.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Financial Statements of the Group and the Company for the year ended 31st March 2024, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) with the inclusion of the signatures of the Director/Group Finance Director, Non-Executive Director and Chief Financial Officer/ Non-Executive Director given as a part of the Integrated Annual Report.

For the year ended 31 March	2024 Rs. '000	2023 Rs. '000
Profit/(Loss) after tax	**(218,271)**	13,945
Other adjustments	**(25,635)**	(66,620)
Balance brought forward from the previous year	**399,669**	503,344
Amount available for appropriation	**155,763**	450,669
Final dividend paid for the previous year	**(12,750)**	(12,750)
Interim dividend paid for the current year	**-**	(38,250)
Balance carried forward	**143,013**	399,669

ANNUAL REPORT OF THE BOARD OF DIRECTORS

ACCOUNTING POLICIES
All the significant accounting policies based on the Accounting Standards (SLFRS/ LKAS) issued by the CA Sri Lanka are provided in detail, in the notes to the Financial Statements on pages 147 to 199. There have been no changes in the accounting policies adopted by the KFP Group during the year under review other than disclosing Note 6 to the Financial Statements.

REVENUE
The Revenue generated by the Group and the Company for the financial year amounted to Rs. 5,799 million (Rs. 6,444 million in 2022/23). An analysis of the Revenue is given in Note 13 to the Financial Statements.

PROFITS AND APPROPRIATIONS
The Loss of the Group attributable to equity holders of the Parent for the financial year was Rs.218 million (2022/23 – Profit of Rs. 14 million) whilst for the Company, it was a loss of Rs. 219 million (2022/23 - Profit of Rs. 15 million).

The Group's total comprehensive income/ expenses net of tax attributable to equity holders of the Parent was Rs. 234 million of expense (2022/23 - Rs. 63 million of Income), and the Company's total Comprehensive Income/expenses net of tax was Rs. 239 million of expense (2022/23 - Rs. 68 million of Income).

DIVIDENDS
A Final Dividend of Rs. 0.50 per share for the financial year 2022/23 was paid on the 19th June 2023.

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

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

RESERVES
Total reserves as at 31st March 2024 for the Group amounted to Rs. 568 million (Rs. 813 million as at 31st March 2023) whilst the Company was Rs. 572 million (Rs. 822 million as at 31st March 2023). The detailed movement of Reserves is given in the Statement of Changes in Equity on page 145 of this Annual Report.

CAPITAL EXPENDITURE
The total capital expenditure on acquisition of Property, Plant and Equipment and Intangible Assets of the Group and the Company amounted to Rs. 189 million (Rs. 292 million in 2022/23) details of which are given in Note 20 and 22 to the Financial Statements. Capital expenditure approved but not provided in the Financial Statements for the KFP Group and Company is given in Note 39 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT
The value of Property, Plant and Equipment as at the reporting date amounted to Rs. 1,676 million (Rs. 1,702 million 2022/23) for the Group and the Company. The details of Property, Plant and Equipment and their movements are shown in Note 20 to the Financial Statements. The details of Intangible assets are shown in Note 22 to the Financial Statements.

VALUATION OF LAND AND BUILDINGS
All Land and Buildings owned by the KFP Group were revalued by a professionally qualified independent valuer as at 31st December 2023. The valuation was carried out by Mr. P B Kalugalagedera Chartered Valuation Surveyor.

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

The details of the re-valued land and buildings of the Company as well as the extent of land, location and the number of buildings along with the relevant accounting policies are given in Note 20 of the Financial Statements and the Real Estate Portfolio on page 204 of the Annual Report.

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

STATED CAPITAL
In compliance with the Companies Act, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by

the Company in respect of the issue of shares and calls on shares.

The total Stated Capital of the Company as at 31st March 2024 was Rs. 1,295 million (Rs. 1,295 million as at 31st March 2023) details of which are provided in Note 30 to the Financial Statements.

PROVISION FOR TAXATION

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

DONATIONS

Total donations made by the KFP Group during the year amounted to Rs. 3 million (Rs. 2.6 million in 2022/23). The KFP Group made this donation to the John Keells Foundation which is funded by JKH and its Subsidiaries that handles most of the JKH Group's CSR initiatives and activities.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no material Contingent Liabilities or Capital Commitments as at 31st March 2024 except those disclosed in Note 38 to 39 to the Financial Statements.

OUTSTANDING LITIGATION

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

RELATED PARTY TRANSACTIONS

The Company did not engage in any Non-Recurrent Related Party Transactions during the year under review. Recurrent Related Party Transactions exceeding 10% of the consolidated revenue as per the Audited Financial Statements as at 31st March 2023 have been disclosed in the table below;

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

SHARE INFORMATION

An Ordinary Share of the Company was quoted on the CSE at Rs. 147.00 as at 31st March 2024 (Rs. 160.00 as at 31st March 2023). Information relating to earnings, dividends, net assets and market value per share is given in the Ten- Year Information at a Glance section on page 202, Key Figures and Ratios are given on page 203 of this report.

SHAREHOLDINGS

There were 1,235 registered shareholders, holding ordinary voting shares as at 31st March 2024 (1,208 registered shareholders as at 31st March 2023). The distribution of shareholdings including the percentage held by the public is given on page 200 of this report. The Company is listed in the Diri Savi Board of CSE.

FLOAT ADJUSTED MARKET CAPITALISATION

As at 31st March 2024 Keells Food Products PLC had a float adjusted market capitalisation of Rs. 377 million, 10.05% Public shareholding which includes 1,233 Public shareholders. Thus, the Company is compliant under option 2 of the minimum threshold requirements for the Diri Savi Board of the CSE, as per section 7.6 of the listing rules of the CSE.

MAJOR SHAREHOLDERS

The list of the top twenty shareholders is given on page 201 of this report.

INFORMATION TO SHAREHOLDERS

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the CSE in a timely manner.

Name of Related Party	Relationship	Nature of the Transactions	Aggregate Value of Related Party Transactions entered into During the Financial Year	Aggregate Value of Related Party Transactions as a % of Net Revenue	Terms and Conditions of the Related Party Transactions
Jaykay Marketing Services (Private) Limited	Company under common control	Sale of goods	Rs. 1,419,239,955.35	22.02%	Ordinary course of business on an arm's length basis

ANNUAL REPORT OF THE BOARD OF DIRECTORS

EQUITABLE TREATMENT TO ALL SHAREHOLDERS

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

DIRECTORATE

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

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

No other Director held office during the period under review except Mr. A E H Sanderatne (Non-Executive, Independent) who passed away on 23rd July 2023.

Brief Profiles of the Directors as at 31st March 2024, appear on pages 16 to 17 of this Annual Report.

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

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

No other Director held office during the period under review.

REVIEW OF THE PERFORMANCE OF THE BOARD

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

BOARD SUB-COMMITTEES

Audit Committee

The Audit Committee of Keells Food Products PLC consists of three (3) Non-Executive Independent Directors:

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

The report of the Audit Committee is given on pages 133 to 135 of this Annual Report. The Audit Committee has reviewed all other services provided by the External Auditors to the Group to ensure that their independence as Auditor has not been compromised.

Human Resources and Compensation Committee

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

The mandate and the scope of the Human Resources and Compensation Committee is set out in pages 70 to 71 of this Annual Report.

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

Mr. D A Cabraal (Chairperson) and Dr. (Mr.) S S H Wijayasuriya

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

Nominations Committee

The Nominations Committee of JKH, the Parent Company of Keells Food Products PLC, functions as the Nominations Committee of the Company. The mandate and the scope of the Nominations Committee is set out in pages 71 to 72 of this Annual Report.

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

Mr. D A Cabraal (Chairperson), Dr. (Mr.) S S H Wijayasuriya, Mr. K N J Balendra, Dr. (Ms.) S A Coorey (appointed 08.11.2023) and Ms. M P Perera (retired 01.07.2023).

Related Party Transactions Review Committee

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

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

Mr. A N Fonseka (Chairperson), Mr. D A Cabraal and Dr. (Ms.) S A Coorey (appointed 01.07.2023)*, Mr. D V R S Fernando (appointed 08.11.2023) and Ms. M P Perera (retired 01.07.2023).

*Ceased to be a member w.e.f 08.11.2023

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

The mandate and the scope of the Related Party Transactions Review Committee is set out in pages 73 to 74 of this Annual Report.

Project Risk Assessment Committee

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

Dr. (Mr.) S S H Wijayasuriya (Chairperson), Mr. K N J Balendra, Mr. J G A Cooray and Ms. M P Perera (retired 01.07.2023)

The Project Risk Assessment Committee policy is set out in page 75 of this Annual Report.

DIRECTORS INTEREST IN SHARES

The Director's (Including their spouses) Individual shareholdings in the Company as at 31st March 2024 and 31st March 2023 were as follows;

DIRECTORS INTEREST IN SHARES

Name of the Directors	31/03/2024 No. of Shares	31/03/2023 No. of Shares
Mr. K N J Balendra - Chairperson	-	-
Mr. J G A Cooray	-	-
Mr. D P Gamlath	-	-
Mr. P D Samarasinghe	-	-
Ms. S De Silva	-	-
Mr. I Samarajiva	-	-
Ms. P N Fernando	-	-
Mr. A E H Sanderatne (Deceased on 23.07.2023)	N/A	-

CEO'S INTEREST IN SHARES

CEO	31/03/2024 No. of Shares	31/03/2023 No. of Shares
Mr. V I Wickramaratne	-	-

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

Ms. P N Fernando and Mr. D P Gamlath who retire by rotation in terms of Article 83 of the Articles of Association of the Company and being eligible offer themselves for re-election.

REMUNERATION TO DIRECTORS

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

DIRECTORS' MEETINGS

Details of Directors' meetings is presented on page 66 of this report.

INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act. In compliance with the requirements of the Companies Act this Annual Report contains particulars of entries made in the Interests Register. Particulars of entries in the Interests Register for the Financial Year 2023/24;

Interest in Contracts

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Group and the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No.07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the CSE and Code of Best Practice on Corporate Governance (2017) issued by the CA Sri Lanka.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

EMPLOYEE SHARE OPTION SCHEME (ESOP)

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

EMPLOYMENT

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

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

The number of persons directly employed by the Company and Group as at 31st March 2024 was 400 (2023- 397). There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

SUPPLIER POLICY

The KFP Group applies an overall policy of agreeing and clearly communicating the terms of payment as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items in accordance with these agreed terms. As at 31st March 2024, the trade and other payables of the Group and the Company amounted to Rs. 564 million (Rs. 506 million as at 31st March 2023) and Rs. 560 million (Rs. 497 million as at 31st March 2023), respectively.

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

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity, debt and market price information as required by the listing requirements of the Colombo Stock Exchange are given under the Key Figures and Ratios of this Report on page 203.

CORPORATE GOVERNANCE

Corporate Governance practices and principles with respect to the management and operations of the KFP Group are set out on pages 58 to 104 of this Annual Report. The Directors confirm that the KFP Group is in compliance with the rules on Corporate Governance as per the listing rules of the CSE.

The Directors declare that:

- The Company and its Subsidiary have not engaged in any activities, which contravene laws and regulations.
- The Directors have declared all material interests in contracts involving the Company and its Subsidiary and refrained from voting on matters in which they were materially involved.
- The Company has made all endeavours to ensure the equitable treatment to all shareholders.
- The Company, being listed on the CSE, is compliant with the rules on Corporate Governance under the Listing Rules of the CSE with regard to the composition of the Board and its Sub Committees.
- A review of internal controls covering financial, operational and compliance controls and risk management has been conducted, and the Directors have obtained a reasonable assurance of their effectiveness and successful adherence.
- The Company is almost in full compliance with the Code of Best Practice on Corporate Governance (2017) issued by the CA Sri Lanka.

The Board of Directors is committed to maintaining an effective Corporate Governance structure and process. A full report on Corporate Governance is given on pages 58 to 104.

SUSTAINABILITY

This is the KFP Group's 9th Integrated Annual Report, which presents a comprehensive discussion on its financial and non-financial performance, in a bid to provide its stakeholders with holistic information relating to its value creation proposition through the six forms of capital reported under the International <IR> Framework.

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

RESEARCH AND DEVELOPMENT

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

ENVIRONMENTAL PROTECTION

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

STATUTORY PAYMENTS

The Directors confirm to the best of their knowledge all taxes, duties and levies payable by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group and all other known statutory dues as were due and payable by the Group as at the end of the reporting period have been paid or where relevant provided for.

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENTERPRISE RISK MANAGEMENT

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

INTERNAL CONTROLS AND ASSURANCE

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

EVENTS AFTER THE REPORTING PERIOD

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

GOING CONCERN

The management has formed judgment that the Company and its subsidiary have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group. The Group's outlook has been presented in the Chairperson's Message on page 12 to 13.

AUDITORS

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

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

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

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report is found in the Financial Statements section of the Annual Report on pages 137 to 139.

APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors approved the Integrated Annual Report on the 20th May 2024. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held as a virtual meeting on 18th June 2024 at 10.30 am.

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

By order of the Board.

D P Gamlath
Director

J G A Cooray
Director

Keells Consultants (Private) Limited
Secretaries

20th May 2024

AUDIT COMMITTEE REPORT

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

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

The Audit Committee reviews the design and operational effectiveness of internal controls and implement changes where required and ensures that the risk management processes are effective and adequate to identify and mitigate risks.

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

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

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

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

- Mr. P D Samarasinghe – Chairperson
- Ms. S De Silva
- Mr. I Samarajiva

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

A brief profile of each member of the Audit Committee is given on pages 16 and 17 of this report under the section the Board of Directors.

MEETINGS OF AUDIT COMMITTEE

The Audit Committee meets as often as may be deemed necessary or appropriate in its judgment and at least quarterly each year. During the year under review there were five (5) meetings, and the attendance of the committee members are given in the table below.

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

AUDIT COMMITTEE REPORT

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

Audit Committee Attendance

Members	4/5/23	13/7/23	20/10/23	22/1/24	4/3/24
Mr. P D Samarasinghe	✓	✓	✓	✓	✓
Ms. S De Silva	Excused	✓	✓	✓	✓
Mr. I Samarajiva	✓	✓	✓	✓	✓
Mr. A E H Sanderatnea*	Excused	✓	N/A	N/A	N/A

*Mr. Amal Sanderatne passed away on 23rd July 2023.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

Oversight of Company and Consolidated Financial Statements

On 6th May 2024 the Committee along with the Independent External Auditors, who are responsible for expressing an opinion on the truth and fairness of the Financial Statements reviewed the Financial Statements of the Company and the Group and their conformity with the Sri Lanka Financial Reporting Standards (SLFRS) and the Sri Lanka Accounting Standards (LKAS).

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

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

INTERNAL AUDIT

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

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

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

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

RISK AND CONTROL REVIEW

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

EXTERNAL AUDIT

The External Auditors of the Company Messrs. Ernst & Young Chartered Accountants submitted a detailed audit plan for the financial year 2023/24, which specified, inter alia, the areas of operations to be covered in respect of the Company. The audit plan specified 'areas of special emphasis' which had been identified from the last audit and from a review of current operations. The Audit committee had meetings with the External Auditor to review the scope, and timelines of the audit plan and approach for the audits.

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

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

The Audit Committee has received a declaration from Messrs. Ernst & Young, as required by the Companies Act No.07 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of The Institute of Chartered Accountants of Sri Lanka.

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, be recommended for re-appointment as Auditors of the Company for the financial year commencing 1st April 2024, at the next Annual General Meeting.

COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

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

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

SUPPORT TO THE COMMITTEE

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

EVALUATION OF COMMITTEE

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

CONCLUSION

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

P D Samarasinghe
Chairperson, Audit Committee

20th May 2024

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

As per the provisions of the Companies Act No. 07 of 2007 the Directors are required to prepare, for each financial year and place before a general meeting, Financial Statements which comprise of;

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

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

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

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

Further, the Directors have a responsibility to ensure that the Company and its Subsidiary maintain sufficient accounting records to disclose, with reasonable accuracy of the Financial Position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its Subsidiary, and in this regard to give a proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

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

Further, as required by section 56(2) of the Companies Act, No. 07 of 2007 the Board of Directors confirm that the Company, satisfies the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to declaring for all the dividend paid during the year ended 31st March 2024.

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

COMPLIANCE REPORT

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

By Order of the Board

Keells Consultants (Private) Limited
20th May 2024

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

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Chartered Accountants
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TO THE SHAREHOLDERS OF KEELLS FOOD PRODUCTS PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Keells Food Products PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2024, and the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Existence and carrying value of inventory	
As at 31 March 2024, the carrying value of inventory amounted to Rs. 889 Mn net of a provision for slow moving inventory of Rs. 18 Mn as disclosed in note 26 to the financial statements. Existence and carrying value of inventory was a key audit matter due to: • The materiality of the reported inventory balance which represents 22% of the Group's total assets as of the reporting date; and • Judgements applied by the management on the condition of inventory due to wastages spoilages, shelf life of products, slow moving goods and other compliance requirements as disclosed in Note 26 to the financial statements.	Our audit procedures included the following key procedures: • observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported. • tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices. • assessed the reasonableness of management judgements applied in determining that the provision is based on the condition of inventory in relation to wastages, spoilages, shelf life of products, slow moving products and due to other compliance requirements. We also evaluated the adequacy of the disclosures in note 26 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment of goodwill	
The Group's Statement of Financial Position includes an amount of Rs. 242 Mn relating to Goodwill acquired through the purchase of the manufacturing facility at Pannala (CGU). The CGU with goodwill is tested annually for impairment based on its recoverable amount. The recoverable amount is estimated using value in use (VIU) computations prepared by Management based on discounted future cash-flows. Assessment of impairment of this CGU with goodwill was a key audit matter due to: • The degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value in use calculations considering current economic conditions As disclosed in note 22.2, key areas of significant judgments, estimates and assumptions included key inputs and assumptions related to the gross margins, volume growth over forecast period, discount rate and terminal growth rate including the potential impacts of the current economic conditions prevailing in the country.	Our audit procedures included the following: • We gained an understanding of how management has forecast its discounted future cash flows. Our procedures included understanding how management has considered the potential impact of the current economic conditions prevailing in the country in forecasting the cash flows. • We checked the calculations of the discounted future cash flows and cross checked the data used by management to relevant underlying accounting records, to evaluate their completeness and accuracy. • Based on the best available information up to the date of our report, we assessed the reasonableness of significant assumptions used by the Company, in particular those relating to the volume growth rates and discount rate of the estimated future cashflows. We assessed the adequacy of the disclosures made in Note 22.2 in the financial statements.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2023/2024 ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 2097.

20th May 2024
Colombo

INCOME STATEMENT

For the year ended 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
Continuing operations					
Goods transferred at a point in time	13.1	**5,798,813**	6,444,270	**5,798,813**	6,444,270
Total Revenue from contracts with customers		**5,798,813**	6,444,270	**5,798,813**	6,444,270
Cost of sales		**(4,521,932)**	(5,057,947)	**(4,521,932)**	(5,057,947)
Gross profit		**1,276,881**	1,386,323	**1,276,881**	1,386,323
Other operating income	14.1	**20,307**	23,821	**18,548**	23,821
Selling and distribution expenses		**(802,771)**	(742,768)	**(802,771)**	(742,768)
Administrative expenses		**(350,895)**	(289,705)	**(350,075)**	(288,924)
Other operating expenses	14.2	**(280,708)**	(147,194)	**(280,708)**	(147,194)
Results from operating activities		**(137,186)**	230,477	**(138,125)**	231,258
Finance cost	15.1	**(166,849)**	(172,323)	**(166,849)**	(172,323)
Finance income	15.1	**14,098**	10,961	**14,098**	10,961
Net finance cost		**(152,751)**	(161,362)	**(152,751)**	(161,362)
Profit /(Loss) before tax	16	**(289,937)**	69,115	**(290,876)**	69,896
Tax (expense) / reversal	19.1	**71,666**	(55,170)	**71,666**	(55,170)
Profit /(Loss) for the year		**(218,271)**	13,945	**(219,210)**	14,726
Attributable to:					
Equity holders of the parent		**(218,271)**	13,945		
		(218,271)	13,945		
Earnings per share					
Basic (Rs.)	17.1	**(8.56)**	0.55		
Diluted (Rs.)	17.2	**(8.56)**	0.55		
Dividend per share (Rs.)	18	**0.50**	2.00		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 147 to 199 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Profit/ (Loss) for the year		**(218,271)**	13,945	**(219,210)**	14,726
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		**4,122**	(4,223)	**-**	-
Net other comprehensive income/ (expense) to be reclassified to Income Statement in subsequent periods		**4,122**	(4,223)	**-**	-
Other comprehensive income not to be reclassified to Income Statement in subsequent periods					
Revaluation gain on land and buildings	20.1	**7,787**	105,561	**7,787**	105,561
Re-measurement gain/(loss) on defined benefit plans	34.3	**(36,621)**	38,792	**(36,621)**	38,792
Net other comprehensive income/ (expense) not to be reclassified to Income Statement in subsequent periods		**(28,834)**	144,353	**(28,834)**	144,353
Tax (expense) / reversal on other comprehensive income	19.2	**8,650**	(91,103)	**8,650**	(91,103)
Other comprehensive income/ (expense) for the year, net of tax		**(16,062)**	49,027	**(20,184)**	53,250
Total comprehensive income/ (expense) for the year, net of tax		**(234,333)**	62,972	**(239,394)**	67,976
Attributable to:					
Equity holders of the parent		**(234,333)**	62,972		
		(234,333)	62,972		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 147 to 199 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	20.1	**1,675,939**	1,702,029	**1,675,939**	1,702,029
Right-of-use assets	21.1.1	**3,617**	5,040	**3,617**	5,040
Intangible assets	22.1	**247,822**	248,809	**247,822**	248,809
Non-current financial assets	24	**58,780**	48,504	**58,780**	48,504
Other non-current assets	25	**28,657**	22,900	**28,657**	22,900
		2,014,815	2,027,282	**2,014,815**	2,027,282
Current assets					
Inventories	26	**889,488**	1,194,409	**889,488**	1,194,409
Trade and other receivables	27	**731,274**	685,366	**731,274**	685,366
Amounts due from related parties	37.1	**205,560**	235,714	**205,560**	235,714
Income tax receivables	19.3.2	**31,861**	31,861	**31,861**	31,861
Other current assets	28	**20,227**	77,794	**20,223**	77,794
Cash in hand and at bank	29	**68,655**	50,269	**67,836**	50,108
		1,947,065	2,275,413	**1,946,242**	2,275,252
Total assets		**3,961,880**	4,302,695	**3,961,057**	4,302,534
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	30	**1,294,815**	1,294,815	**1,294,815**	1,294,815
Revenue reserve	31	**143,013**	399,669	**142,076**	399,671
Other components of equity	32	**425,433**	413,792	**430,143**	422,624
Total equity		**1,863,261**	2,108,276	**1,867,034**	2,117,110
Non-current liabilities					
Lease liabilities	21.1.2	**3,357**	5,019	**3,357**	5,019
Deferred tax liabilities	19.4	**206,191**	286,507	**206,191**	286,507
Employee benefit liabilities	34.1	**160,425**	114,081	**160,425**	114,081
		369,973	405,607	**369,973**	405,607
Current liabilities					
Trade and other payables	35	**564,474**	506,023	**560,098**	497,311
Amounts due to related parties	37.2	**45,164**	14,998	**45,164**	14,998
Interest-bearing loans and borrowings	33.2	**224,916**	67,213	**224,916**	67,213
Lease liabilities	21.1.2	**1,663**	1,391	**1,663**	1,391
Other current liabilities	36	**42,914**	36,341	**42,836**	36,341
Bank overdrafts	29	**849,515**	1,162,846	**849,373**	1,162,563
		1,728,646	1,788,812	**1,724,050**	1,779,817
Total equity and liabilities		**3,961,880**	4,302,695	**3,961,057**	4,302,534

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

P N Fernando
Chief Financial Officer/ Director

The Board of Directors is responsible of these Financial Statements.

D P Gamlath
Director

J G A Cooray
Director

20th May 2024
Colombo

The accounting policies and notes as set out in pages 147 to 199 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
OPERATING ACTIVITIES					
Profit before working capital changes	A	**130,990**	424,607	**130,051**	425,388
(Increase) / Decrease in inventories		**299,702**	(606,975)	**299,702**	(606,975)
(Increase) / Decrease in trade and other receivables		**(55,193)**	(71,041)	**(55,193)**	(71,041)
(Increase) / Decrease in amounts due from related parties		**30,154**	(39,556)	**30,154**	(39,556)
(Increase) / Decrease in other current assets		**57,567**	30,814	**57,571**	30,814
Increase / (Decrease) in trade and other payables		**58,451**	(21,143)	**62,787**	(24,911)
Increase / (Decrease) in amounts due to related parties		**30,166**	(6,858)	**30,166**	(6,858)
Increase / (Decrease) in other current liabilities		**6,573**	12,904	**6,495**	12,904
Cash generated from / (used in) operations		**558,410**	(277,248)	**561,733**	(280,235)
Finance income received		**4,277**	4,390	**4,277**	4,390
Finance cost paid*		**(165,829)**	(171,384)	**(165,829)**	(171,384)
Tax paid	19.3.1	**-**	(82,331)	**-**	(82,331)
Surcharge tax paid		**-**	(95,923)	**-**	(95,923)
Gratuity paid/transfers	34.3	**(22,590)**	(549)	**(22,590)**	(549)
Net cash flow generated from/(used in) operating activities		**374,268**	(623,045)	**377,591**	(626,032)
INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	20.1	**(188,857)**	(289,824)	**(188,857)**	(289,824)
Purchase of intangible assets	22.1	**(525)**	(2,271)	**(525)**	(2,271)
Proceeds from sale of property, plant and equipment		**166**	13,885	**166**	13,885
Net cash flow used in investing activities		**(189,216)**	(278,210)	**(189,216)**	(278,210)
FINANCING ACTIVITIES					
Dividend paid	18	**(12,750)**	(51,000)	**(12,750)**	(51,000)
Proceeds from interest-bearing loans and borrowings	33.1	**224,916**	25,000	**224,916**	25,000
Repayment of interest-bearing loans and borrowings	33.1	**(67,213)**	(43,455)	**(67,213)**	(43,455)
Payment of lease liabilities	21.1.2	**(2,410)**	(2,284)	**(2,410)**	(2,284)
Net cash flow from / (used in) financing activities		**142,543**	(71,739)	**142,543**	(71,739)

STATEMENT OF CASH FLOWS

		Group		Company	
For the year ended 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**327,595**	(972,994)	**330,918**	(975,981)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		**(1,112,577)**	(135,360)	**(1,112,455)**	(136,474)
Effect of exchange rate changes		**4,122**	(4,223)	**-**	-
CASH AND CASH EQUIVALENTS AT THE END		**(780,860)**	(1,112,577)	**(781,537)**	(1,112,455)
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Cash in hand and at bank	29	**68,655**	50,269	**67,836**	50,108
Unfavourable balances					
Bank overdrafts	29	**(849,515)**	(1,162,846)	**(849,373)**	(1,162,563)
Cash and cash equivalents **		**(780,860)**	(1,112,577)	**(781,537)**	(1,112,455)
Note A					
Profit before working capital changes					
Profit /(Loss) before tax		**(289,937)**	69,115	**(290,876)**	69,896
Adjustments for:					
Finance income	15.1	**(14,098)**	(10,961)	**(14,098)**	(10,961)
Finance cost	15.1	**166,849**	172,323	**166,849**	172,323
Depreciation of property, plant and equipment	20.1	**222,594**	194,264	**222,594**	194,264
Amortisation of right of use assets	21.1.1	**1,423**	1,461	**1,423**	1,461
Amortisation of intangible assets	22.1	**1,512**	1,083	**1,512**	1,083
Net gain on disposal of property, plant and equipment	14.1	**(26)**	(11,942)	**(26)**	(11,942)
Employees benefit provisions and related costs	34.2	**32,313**	9,302	**32,313**	9,302
Provision /(reversal) for slow moving inventory	26	**5,219**	(1,707)	**5,219**	(1,707)
Provision /(reversal) for impairment of trade receivable	27	**3,073**	2,073	**3,073**	2,073
Share based payment expense/(reversal)	32.3	**2,068**	(404)	**2,068**	(404)
		130,990	424,607	**130,051**	425,388

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

** Cash and cash equivalents in the Statement of Financial Position comprise of cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the Cash Flow Statement, cash and cash equivalents consists of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 147 to 199 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Stated capital Rs. '000	Revaluation reserve Rs. '000	Foreign currency translation reserve Rs. '000	Other capital reserve Rs. '000	Revenue reserve Rs. '000	Total equity Rs. '000
Group						
As at 01st April 2022	1,294,815	338,274	(4,609)	60,807	407,421	2,096,708
Profit for the year	-	-	-	-	13,945	13,945
Other comprehensive income/ (expense)	-	23,947	(4,223)	-	29,303	49,027
Total comprehensive income / (expense)	-	23,947	(4,223)	-	43,248	62,972
Share based payment transactions	-	-	-	(404)	-	(404)
Final dividend paid - 2021/22	-	-	-	-	(12,750)	(12,750)
Interim dividend paid -2022/23	-	-	-	-	(38,250)	(38,250)
As at 01st April 2023	1,294,815	362,221	(8,832)	60,403	399,669	2,108,276
Profit/(Loss) for the year	-	-	-	-	(218,271)	(218,271)
Other comprehensive income/ (expense)	-	5,451	4,122	-	(25,635)	(16,062)
Total comprehensive income / (expense)	-	5,451	4,122	-	(243,906)	(234,333)
Share based payment transactions	-	-	-	2,068	-	2,068
Final dividend paid - 2022/23	-	-	-	-	(12,750)	(12,750)
As at 31st March 2024	1,294,815	367,672	(4,710)	62,471	143,013	1,863,261

	Stated capital Rs. '000	Revaluation reserve Rs. '000	Other capital reserve Rs. '000	Revenue reserve Rs. '000	Total equity Rs. '000
Company					
As at 01st April 2022	1,294,815	338,274	60,807	406,642	2,100,538
Profit for the year	-	-	-	14,726	14,726
Other comprehensive income	-	23,947	-	29,303	53,250
Total comprehensive income	-	23,947	-	44,029	67,976
Share based payment transactions	-	-	(404)	-	(404)
Final dividend paid - 2021/22	-	-	-	(12,750)	(12,750)
Interim dividend paid -2022/23	-	-	-	(38,250)	(38,250)
As at 01st April 2023	1,294,815	362,221	60,403	399,671	2,117,110
Profit/(Loss) for the year	-	-	-	(219,210)	(219,210)
Other comprehensive income/(expense)	-	5,451	-	(25,635)	(20,184)
Total comprehensive income/ (expense)	-	5,451	-	(244,845)	(239,394)
Share based payment transactions	-	-	2,068	-	2,068
Final dividend paid - 2022/23	-	-	-	(12,750)	(12,750)
As at 31st March 2024	1,294,815	367,672	62,471	142,076	1,867,034

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 147 to 199 form an integral part of these Financial Statements.

INDEX TO NOTES

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Reporting entity

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

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

Consolidated Financial Statements

The Financial Statements for the year ended 31st March 2024, comprise "the Company" referring to Keells Food Products PLC as the holding Company and "the Group" referring to the Company that have been consolidated therein.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31st March 2024 were authorised for issue by the Board of Directors on the 20th May 2024.

Principal activities and nature of operations

Company

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

Subsidiary

The principal activity of John Keells Foods India (Private) Limited was marketing of processed and formed meat products, which remained unchanged during the year. The Subsidiary did not carry out any commercial operation during the year ended 31st March 2024.

Responsibility for Financial Statements

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

Statements of compliance

The Financial Statements which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No.07 of 2007.

2. GROUP INFORMATION

Parent Enterprise and Ultimate Parent Enterprise

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

3. BASIS OF PREPARATION

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

Going concern

The Group has prepared the Financial Statements for the year ended 31 March 2024 on the basis that it will continue to operate as a going concern.

Based on available information, the management has assessed prevailing macroeconomic conditions and its effect on the Group companies in determining the going concern basis for preparation of Financial Statements. The management has formed judgment that the Company, its subsidiary have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Presentation and functional currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency, which is the primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as its functional currency.

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

All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupees thousand (LKR '000) except when otherwise indicated.

Comparative information

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Other Significant accounting policies not covered with individual notes

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is considered as current when:

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

The Group classifies all other liabilities as non-current.

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

Foreign currency translation, foreign currency transactions and balances

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

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

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

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

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

Foreign operations

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

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

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

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

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

The exchange rates applicable during the period were as follows:

	Statement of Financial Position		Income Statement	
Currency	**Closing rate as at 31st March**		**Average rate**	
	2024 Rs.	**2023 Rs.**	**2024 Rs.**	**2023 Rs.**
Indian Rupee	**3.60**	4.01	**3.68**	4.01

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets , liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies , management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the Consolidated Financial Statements have been discussed in the individual notes of the related Financial Statement line items.

NOTES TO THE FINANCIAL STATEMENTS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date , that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the Financial Statements. The Group has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however ,may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

a) Valuation of property, plant and equipment - Note 20.2
b) Impairment of non-financial assets - Note 23 and 22.2
c) Taxes - Note 19
d) Employee benefit liability - Note 34
e) Share based payments - Note 32.3
f) Goodwill - Note 22.2
g) Provision for expected credit losses of trade receivables and contract assets - Note 10.1.3
h) Leases - Estimating the incremental borrowing rate - Note 21
i) Going Concern- Note 3

6. CHANGES IN ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

6.1 Changes in accounting standard

The following amendments and improvements do not expect to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1 : Disclosure of Accounting Policies
- Amendments to LKAS 8 : Definition of Accounting Estimate
- Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction

6.2 Standards issued but not yet effective

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1: Classification of Liabilities as Current
- Amendments to LKAS 1: Non-Current liabilities with Covenants
- Amendments to LKAS 7 and SLFRS 7: Supplier Finance Arrangements
- Amendments to SLFRS 16: Lease Liability in a Sale and Leaseback
- Amendment to LKAS 21: Lack of Exchangeability
- Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

7 OPERATING SEGMENT INFORMATION

Accounting Policy

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The operating segments represent this business structure.

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

As such for management purposes, the Group is organised into business units based on their products and services and has two operating business segments as manufacturing and trading.

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

Segment information

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

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

7.1 BUSINESS SEGMENT ANALYSIS -GROUP

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

	2024			2023		
For the year ended 31st March	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Goods transferred at a point in time	**5,537,788**	**261,025**	**5,798,813**	6,199,106	245,164	6,444,270
Total segment revenue from contracts with customers	**5,537,788**	**261,025**	**5,798,813**	6,199,106	245,164	6,444,270
Segment Results	**1,226,964**	**49,917**	**1,276,881**	1,293,100	93,223	1,386,323
Other operating income	**20,307**	**-**	**20,307**	23,821	-	23,821
Selling and distribution expenses	**(777,312)**	**(25,459)**	**(802,771)**	(714,118)	(28,650)	(742,768)
Administrative expenses	**(346,058)**	**(4,837)**	**(350,895)**	(279,972)	(9,733)	(289,705)
Other operating expenses	**(274,497)**	**(6,211)**	**(280,708)**	(145,834)	(1,360)	(147,194)
Operating Profit /(Loss)	**(150,596)**	**13,410**	**(137,186)**	176,997	53,480	230,477
Finance cost	**(159,435)**	**(7,414)**	**(166,849)**	(162,286)	(10,037)	(172,323)
Finance income	**14,098**	**-**	**14,098**	10,961	-	10,961
Net finance cost	**(145,337)**	**(7,414)**	**(152,751)**	(151,325)	(10,037)	(161,362)
Profit / (Loss) before tax	**(295,933)**	**5,996**	**(289,937)**	25,672	43,443	69,115
Tax (expense) / reversal			**71,666**			(55,170)
Profit/(Loss) after tax			**(218,271)**			13,945
Segment Assets	**3,951,355**	**10,525**	**3,961,880**	4,231,145	71,550	4,302,695
Segment Liabilities	**2,098,619**	**-**	**2,098,619**	2,194,419	-	2,194,419
Purchase and construction of PPE*	**188,857**	**-**	**188,857**	289,824	-	289,824
Addition to IA**	**525**	**-**	**525**	2,271	-	2,271
Depreciation of PPE*	**222,594**	**-**	**222,594**	194,264	-	194,264
Amortisation of IA**	**1,512**	**-**	**1,512**	1,083	-	1,083
Amortisation of ROUA***	**1,423**	**-**	**1,423**	1,461	-	1,461
Employees benefit provisions and related costs	**32,313**	**-**	**32,313**	9,302	-	9,302

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

8. BASIS OF CONSOLIDATION

Accounting Policy

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

Control over an investee

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

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

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

The following Companies have been consolidated based on above criteria.

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

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

Subsidiaries

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

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

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

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

If the Group loses control over a Subsidiary, it:

- 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.

9. BUSINESS COMBINATIONS AND GOODWILL

Accounting Policy

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS

9. BUSINESS COMBINATIONS AND GOODWILL (CONTD.)

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

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

Common Control Business Combinations

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

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

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

The amount has been recognised as the consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. (Note No. 22.2)

Impairment of goodwill

Goodwill is tested for impairment annually (as at 31st March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

10.1 Credit risk

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

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

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents the Group's exposure to credit risk arises from default of the 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.

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

10.1.1 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available).

The following table shows the maximum risk positions;

As at 31st March 2024	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Group							
Loans to executives	10.1.2	58,780	-	24,206	-	82,986	8
Trade and other receivables	10.1.3	-	-	707,068	-	707,068	67
Amounts due from related parties	10.1.4	-	-	-	205,560	205,560	19
Cash in hand and at bank	10.1.5	-	68,655	-	-	68,655	6
Total credit risk exposure		58,780	68,655	731,274	205,560	1,064,269	100

NOTES TO THE FINANCIAL STATEMENTS

10.1.1 Credit risk exposure (Contd.)

As at 31st March 2023	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Group							
Loans to executives	10.1.2	48,504	-	19,782	-	68,286	7
Trade and other receivables	10.1.3	-	-	665,584	-	665,584	65
Amounts due from related parties	10.1.4	-	-	-	235,714	235,714	23
Cash in hand and at bank	10.1.5	-	50,269	-	-	50,269	5
Total credit risk exposure		48,504	50,269	685,366	235,714	1,019,853	100

As at 31st March 2024	Notes	Non-current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Amounts due from related parties Rs. '000	Total Rs. '000	% of allocation
Company							
Loans to executives	10.1.2	58,780	-	24,206	-	82,986	8
Trade and other receivables	10.1.3	-	-	707,068	-	707,068	67
Amounts due from related parties	10.1.4	-	-	-	205,560	205,560	19
Cash in hand and at bank	10.1.5	-	67,836	-	-	67,836	6
Total credit risk exposure		58,780	67,836	731,274	205,560	1,063,450	100

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

10.1.2 Loans to executives

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

10.1.3 Trade and other receivables

As at 31st March	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
Neither past due nor impaired				
01-60 days	**663,844**	625,034	**663,844**	625,034
Past due but not impaired				
61-90 days	**19,113**	34,944	**19,113**	34,944
91-120 days	**18,365**	5,041	**18,365**	5,041
121-180 days	**3,068**	565	**3,068**	565
Allowance for expected credit losses	**9,045**	3,294	**9,045**	3,294
Gross carrying value	**713,435**	668,878	**713,435**	668,878
Less: Allowance for expected credit losses				
Individually assessed Allowance for expected credit losses	**(6,367)**	(3,294)	**(6,367)**	(3,294)
Total	**707,068**	665,584	**707,068**	665,584

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

10.1.4 Amounts due from related parties

The balance consists of amounts due from the entities which has significant influence over Parent, Parent Companies under common control, Joint Ventures and Associates of the Parent.

NOTES TO THE FINANCIAL STATEMENTS

10.1.5 Cash and cash equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counter-party, where taking into consideration, where relevant, the rating or financial standing of the counter-party, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure. The Group held a net negative cash and cash equivalents of Rs. 781 Mn as at 31st March 2024 (2022/23 net negative cash and cash equivalents of Rs. 1,113 Mn). The Company held a net negative cash and cash equivalents of Rs. 782 Mn as at 31 March 2024 (2022/23 net negative cash and cash equivalents of Rs. 1,112 Mn).

10.2 Liquidity risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that there is available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts over a broad spread of maturities.

10.2.1 Net debt/ (cash)

		Group		Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash in hand and at bank	29	**68,655**	50,269	**67,836**	50,108
Total liquid Assets		**68,655**	50,269	**67,836**	50,108
Interest-bearing borrowings - current	33.2	**224,916**	67,213	**224,916**	67,213
Bank overdrafts	29	**849,515**	1,162,846	**849,373**	1,162,563
Total liquid liabilities		**1,074,431**	1,230,059	**1,074,289**	1,229,776
Net debt		**1,005,776**	1,179,790	**1,006,453**	1,179,668

10.2.2 Liquidity risk management

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

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

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

Maturity analysis - Group

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

As at 31st March 2024	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	227,626	-	-	-	-	-	227,626
Lease liabilities	2,545	1,407	578	625	675	27,283	33,113
Trade and other payables	564,474	-	-	-	-	-	564,474
Amounts due to related parties	45,164	-	-	-	-	-	45,164
Bank overdrafts	849,515	-	-	-	-	-	849,515
	1,689,324	1,407	578	625	675	27,283	1,719,892

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

Maturity analysis - Company

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

As at 31st March 2024	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	227,626	-	-	-	-	-	227,626
Lease liabilities	2,545	1,407	578	625	675	27,283	33,113
Trade and other payables	560,098	-	-	-	-	-	560,098
Amounts due to related parties	45,164	-	-	-	-	-	45,164
Bank overdrafts	849,373	-	-	-	-	-	849,373
	1,684,806	1,407	578	625	675	27,283	1,715,374

10.2.2 Liquidity risk management (Contd.)

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

10.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of the following risks:

* Interest rate risk
* Foreign currency risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2024 and 2023.

The analysis excludes the impact of movements in market variables on; the carrying values of other post-retirement obligations; provisions; and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analyses;

- The sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March 2024 and 2023.

10.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's and Company's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates.

The Central Bank of Sri Lanka (CBSL) began to ease the monetary policy during the current financial year amid decelerating inflation, resulting in a downward trend in market interest rates throughout the financial year. The directions issued by the Central Bank to licensed banks to reduce interest rates, and the significant reduction of risk premia on government securities, have accelerated the downward adjustment in market interest rates, particularly lending rates, in the second half of the financial year. Downward pressures on inflation on account of many factors including decreases in global commodity prices, food supply, and the appreciation of the currency have resulted in eased policy actions by the CBSL on monetary policy post the end of the reporting period.

The Group has managed the risk of volatile interest rates by having a balanced portfolio of borrowings at fixed and variable rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. (through the impact on floating rate borrowings).

Rupee borrowings	Increase/ (decrease) in basis points	Effect on profit before tax	
		Group Rs. '000	Company Rs. '000
For the year ended 31st March			
2024	**+1,036**	**2,372**	**2,372**
	-1,036	**(2,372)**	**(2,372)**
2023	+1,576	7,638	7,638
	-1,576	(7,638)	(7,638)

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

10.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury (JKH) analyses the market condition of foreign exchange and provides market updates to the JKH Group Executive Committee (GEC), with the use of external consultants' advice. Based on the suggestions made by JKH Group treasury, the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decisions rights given by the Board of Directors.

The Sri Lankan Rupee experienced appreciation in the first quarter, followed by depreciation in the second and third quarters, before showing an upward trend again in the final quarter.
The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" because of the conscious strategy of maintaining US Dollar cash balances at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams.

10.3.2.1 Effects of currency translation

For purposes of Keells Food Products PLC's Consolidated Financial Statements, the income and expenses and the assets and liabilities of the subsidiary located outside Sri Lanka are converted into Sri Lankan Rupees (LKR). Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes –EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

		Group	
Exchange rate	Increase/ (decrease) in exchange rate	Effect on profit before tax (Rs.)	Effect on equity (Rs.)
2024			
USD	**+7.50%**	**6,858**	**6,858**
USD	**- 7.50%**	**(6,858)**	**(6,858)**
INR	**+ 8.93%**	**11,701**	**11,701**
INR	**- 8.93%**	**(11,701)**	**(11,701)**
2023			
USD	**+12.64%**	**13,849**	**13,849**
USD	**- 12.64%**	**(13,849)**	**(13,849)**
Euro	**+7.21%**	**27**	**27**
Euro	**- 7.21%**	**(27)**	**(27)**
INR	**+3.39%**	**4,856**	**4,856**
INR	**- 3.39%**	**(4,856)**	**(4,856)**

Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

10.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	Group		Company	
	2024	2023	2024	2023
Debt/ Equity	**57.66%**	58.34%	**57.54%**	58.09%

11 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed and are reflected in this note. Besides this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- Investment in Subsidiary - Note 23.1
- Property, plant and equipment under revaluation model - Note 20.2
- Financial instruments and related policies (including those carried at amortised cost) - Note 12

Accounting Policy

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets fair value through Other Comprehensive Income, and for non-recurring measurements, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and buildings, and significant liabilities. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides after discussion with the external valuers, which valuation techniques and inputs to used for individual assets and liabilities.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

Fair Value Hierarchy

11.1 Non-Financial Assets -Group and Company

As at 31st March	Notes	Level 1		Level 2		Level 3	
		2024	2023	2024	2023	2024	2023
Assets measured at fair value (Rs. '000)							
Land and buildings on freehold land	20.1	**-**	-	**-**	-	**543,270**	539,148
Buildings on leasehold land	20.1	**-**	-	**-**	-	**349,452**	314,790
Total		**-**	-	**-**	-	**892,722**	853,938

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

12 FINANCIAL INSTRUMENTS AND RELATED POLICIES

Accounting Policy

Financial Instruments — Initial recognition and subsequent measurement

Financial Assets- Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and unquoted financial instruments.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no re-cycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Debt Instruments
Financial assets at amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost is disclosed under note 12.1.

Financial assets-de-recognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets
From 1st April 2021, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

12 FINANCIAL INSTRUMENTS AND RELATED POLICIES (CONTD.)

Financial liabilities-Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Financial liabilities-Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below;

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Income Statement.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

12.1 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

Financial assets at amortised cost

		Group		Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Financial instruments in non-current assets					
Non-current financial assets	24	**58,780**	48,504	**58,780**	48,504
Financial instruments in current assets					
Trade and other receivables	27	**731,274**	685,366	**731,274**	685,366
Amounts due from related parties	37.1	**205,560**	235,714	**205,560**	235,714
Cash in hand and at bank	29	**68,655**	50,269	**67,836**	50,108
		1,005,489	971,349	**1,004,670**	971,188
Total		**1,064,269**	1,019,853	**1,063,450**	1,019,692

Financial liabilities measured at amortised cost

		Group		Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Financial instruments in non-current liabilities					
Lease liabilities	21.1.2	**3,357**	5,019	**3,357**	5,019
		3,357	5,019	**3,357**	5,019
Financial instruments in current liabilities					
Trade and other payables	35	**564,474**	506,023	**560,098**	497,311
Amounts due to related parties	37.2	**45,164**	14,998	**45,164**	14,998
Interest-bearing loans and borrowings	33.2	**224,916**	67,213	**224,916**	67,213
Lease liabilities	21.1.2	**1,663**	1,391	**1,663**	1,391
Bank overdrafts	29	**849,515**	1,162,846	**849,373**	1,162,563
		1,685,732	1,752,471	**1,681,214**	1,743,476
Total		**1,689,089**	1,757,490	**1,684,571**	1,748,495

The following methods and assumptions were used to estimate the fair values;

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology.

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in ordinary transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

12.1 Financial assets and liabilities by categories (Contd.)

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The input to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgement include consideration of input such as liquidity risk, credit risk and volatility.

13 REVENUE

Accounting Policy

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Services transferred overtime

Under SLFRS 15, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

Turnover based taxes

Turnover based taxes include Value Added Tax and Social Security Contribution Levy. The Company pays such taxes in accordance with the respective statutes.

		Group		Company	
	For the year ended 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
13.1	Goods transferred at a point in time	**5,798,813**	6,444,270	**5,798,813**	6,444,270

		Group		Company	
	For the year ended 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
13.2	**Disaggregation of revenue**				
	Geographical segment analysis (by location of customers)				
	Sri Lanka	**5,635,712**	6,289,232	**5,635,712**	6,289,232
	Others	**163,101**	155,038	**163,101**	155,038
	Total revenue	**5,798,813**	6,444,270	**5,798,813**	6,444,270

13.3 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segment has been provided in the operating segment information section.

13.4 Contract balances

Contract assets

Contract assets are Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. The Group has not held Contract assets at the reporting date.

Contract liabilities

Contract liabilities are Group's obligation to transfer goods or services to a customer for which the group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services. The Group has not held contract liabilities at the reporting date.

13.5 Performance obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

Manufacturing and trading

Manufacturing and Trading segments focused on manufacturing of a wide range of processed meats, raw meats, crumbed products and other convenient food products. Revenue is recognised at the point in time when the control of the asset is transferred to the customer, which is generally upon delivery of the goods. Revenue is measured based on actual sales, and therefore the output method is used for revenue recognition.

14 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Accounting Policy

Other income and expense

Other income and expenses are recognised on an accrual basis.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

		Group		Company	
	For the year ended 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
14.1	**Other operating income**				
	Exchange gain	**1,759**	-	**-**	-
	Net gain on disposal of property, plant and equipment	**26**	11,942	**26**	11,942
	Unclaimed dividend	**295**	664	**295**	664
	Sundry income	**18,227**	11,215	**18,227**	11,215
		20,307	23,821	**18,548**	23,821

		Group		Company	
	For the year ended 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
14.2	**Other operating expenses**				
	Spoilage and wastage	**116,630**	70,628	**116,630**	70,628
	Bank charges	**1,880**	2,620	**1,880**	2,620
	Exchange loss	**1,575**	18,774	**1,575**	18,774
	Provision/(reversal) for closure expenses of subsidiary	**11,167**	(15,369)	**11,167**	(15,369)
	Social security contribution levy	**149,456**	70,541	**149,456**	70,541
		280,708	147,194	**280,708**	147,194

15 FINANCE INCOME AND FINANCE COST

Accounting Policy

Finance income

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree that are recognised in the income statement.

Finance income from financial instruments includes, notional interest pertaining to loan granted to executive staff.

Interest income is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash receipt though the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset. Interest income is included under finance income in the Income Statement.

Finance cost

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the Income Statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

		Group		Company	
	For the year ended 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
15.1	Finance Income and Finance Cost				
	Finance income				
	Interest income	-	708	-	708
	Finance income from other financial instruments	**14,098**	10,253	**14,098**	10,253
	Total finance income	**14,098**	10,961	**14,098**	10,961
	Finance cost				
	Finance expense on lease liabilities	**(1,020)**	(939)	**(1,020)**	(939)
	Interest expense on borrowings - Long-term	**(4,977)**	(15,819)	**(4,977)**	(15,819)
	Interest expense on borrowings - Short-term	**(160,852)**	(155,565)	**(160,852)**	(155,565)
	Total finance cost	**(166,849)**	(172,323)	**(166,849)**	(172,323)
	Net finance cost	**(152,751)**	(161,362)	**(152,751)**	(161,362)

16 PROFIT/ (LOSS) BEFORE TAX

Accounting Policy

Expenditure recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the Income Statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

Profit before tax is stated after charging all expenses including the following;

	Group		Company	
For the year ended 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Profit /(Loss) before tax				
Remuneration to Non- Executive Directors	**11,015**	10,920	**11,015**	10,920
Auditors' fees and expenses - Audit Service	**1,264**	1,143	**1,014**	901
- Non-Audit Service	**124**	228	**124**	228
Costs of defined employee benefits				
Employee defined benefit provision and related cost	**32,313**	19,429	**32,313**	19,429
Other employee benefit provision and related cost	**-**	(10,127)	**-**	(10,127)
Defined contribution plan cost - EPF and ETF	**57,587**	50,519	**57,587**	50,519
Staff expenses	**816,629**	674,991	**816,629**	674,991
Depreciation of property, plant and equipment	**222,594**	194,264	**222,594**	194,264
Amortisation of right-of-use assets	**1,423**	1,461	**1,423**	1,461
Amortisation of intangible assets	**1,512**	1,083	**1,512**	1,083
Donations	**3,004**	2,614	**3,004**	2,614

17 EARNINGS PER SHARE (EPS)

Accounting Policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

			Group	
	For the year ended 31st March	Notes	2024	2023
17.1	**Basic earnings per share**			
	Profit attributable to equity holders of the parent (Rs. '000)		**(218,271)**	13,945
	Weighted average number of ordinary shares (No. '000)	17.3	**25,500**	25,500
	Basic earnings per share (Rs.)		**(8.56)**	0.55

			Group	
	For the year ended 31st March	Notes	2024	2023
17.2	**Diluted earnings per share**			
	Profit attributable to equity holders of the parent (Rs. '000)		**(218,271)**	13,945
	Adjusted Weighted average number of ordinary shares (No. '000)	17.3	**25,500**	25,500
	Diluted earnings per share (Rs.)		**(8.56)**	0.55

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	Group 2024 No. '000	Group 2023 No. '000
17.3 Amount used as denominator		
Ordinary shares at the beginning of the year	**25,500**	25,500
Ordinary shares at the end of the year	**25,500**	25,500
Weighted average number of ordinary shares outstanding during the year	**25,500**	25,500
Adjusted Weighted average number of ordinary shares*	**25,500**	25,500

* There are no effects of dilution to the weighted average number of shares at present.

18 DIVIDEND PER SHARE (DPS)

Equity dividend on ordinary shares

For the year ended 31st March	Group 2024 Rs.	Group 2024 Rs. '000	Group 2023 Rs.	Group 2023 Rs. '000
Declared and paid during the year				
Final dividend*	**0.50**	**12,750**	0.50	12,750
Interim dividend	**-**	**-**	1.50	38,250
Total dividend	**0.50**	**12,750**	2.00	51,000

*"Previous year's final dividend paid in the current year.

19 TAXES

Accounting Policy

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity, is recognised in equity and for items recognised in other comprehensive income is recognised in Other Comprehensive Income and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

The management has used its judgement on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanisms.

The Group has confirmed with the arm's length principles relating to Transfer Pricing, as prescribed in the Inland Revenue Act.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deducible temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except;

Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deducible temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.
- Deferred tax relating to items recognised outside the Income Statement is recognised outside the Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and;
- Where receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

	For the year ended 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
19.1	**Tax expense/ (reversal)**					
	Income tax					
	Tax expense for the year	19.5	-	721	-	721
	Under/(over) provision for previous years	19.5	-	9,596	-	9,596
			-	10,317	-	10,317
	Deferred Tax					
	Relating to origination and (reversal) of temporary differences	19.2	**(71,666)**	44,853	**(71,666)**	44,853
			(71,666)	55,170	**(71,666)**	55,170

Applicable Rates of Income Tax

Income tax has been provided as per the its rates legislated in accordance with the Inland Revenue Act, No. 24 of 2017 and it's amendments. (Note 19.5)

	For the year ended 31st March	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
19.2	**Deferred tax expense**				
	Income Statement				
	Deferred tax expense/(reversal) arising from;				
	Accelerated depreciation for tax purposes	**3,968**	70,599	**3,968**	70,599
	Employee benefit liability	**(4,474)**	(17,772)	**(4,474)**	(17,772)
	Business loss carried forward	**(71,160)**	(7,974)	**(71,160)**	(7,974)
	Deferred tax charge/(reversal) directly to Income Statement	**(71,666)**	44,853	**(71,666)**	44,853
	Other Comprehensive Income				
	Actuarial gain/(loss)	**(10,986)**	9,489	**(10,986)**	9,489
	Revaluation of building	**3,600**	50,601	**3,600**	50,601
	Capital gain in relation to revalued land	**(1,264)**	31,013	**(1,264)**	31,013
	Deferred tax expense/ (reversal) directly to other comprehensive income	**(8,650)**	91,103	**(8,650)**	91,103
	Total deferred tax charge/ (reversal)	**(80,316)**	135,956	**(80,316)**	135,956

Deferred tax has been computed at the rate of 30% (2022/23-30%).

19.3 Income tax liabilities/(Receivables)

	As at 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
19.3.1	**Income tax liabilities**					
	At the beginning of the year		-	40,153	-	40,153
	Expense for the year	19.5	-	10,317	-	10,317
	Payments during the year		-	(82,331)	-	(82,331)
	Transfers to Income tax receivables	19.3.2	-	31,861	-	31,861
	At the end of the year		-	-	-	-
19.3.2	**Income tax receivables**					
	At the beginning of the year		**31,861**	-	**31,861**	-
	Transfers from Income tax liabilities	19.3.1	-	31,861	-	31,861
	At the end of the year		**31,861**	31,861	**31,861**	31,861

As at 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
19.4 Deferred tax liabilities					
At the beginning of the year		**286,507**	150,551	**286,507**	150,551
Expense/(reversal) for the year	19.2	**(80,316)**	135,956	**(80,316)**	135,956
At the end of the year		**206,191**	286,507	**206,191**	286,507
The closing deferred tax asset and liability balances relate to the following;					
Accelerated depreciation for tax purposes		**218,367**	225,195	**218,367**	225,195
Employee benefit liability		**(48,127)**	(34,224)	**(48,127)**	(34,224)
Business loss carried forward		**(71,160)**	(7,974)	**(71,160)**	(7,974)
Revaluation gained in relation to buildings		**110,711**	15,325	**110,711**	15,325
Capital gain in relation to revalued land		**(3,600)**	88,185	**(3,600)**	88,185
At the end of the year		**206,191**	286,507	**206,191**	286,507

Accounting judgement, estimates and assumptions

The Group is subject to income tax and other taxes including VAT and SSCL. Significant judgment was required to determine the total provision for current, deferred and other taxes due to uncertainties that exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

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

For the year ended 31st March	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
19.5 Reconciliation between current tax expense and the accounting profit				
Profit /(Loss) before tax	**(289,937)**	69,115	**(290,876)**	69,896
Income not liable for income tax	**(332)**	(1,227)	**(332)**	(1,227)
Other consolidated adjustments	**(939)**	781	**-**	-
Adjusted accounting profit chargeable to income taxes	**(291,208)**	68,669	**(291,208)**	68,669
Disallowable expenses	**292,237**	221,476	**292,237**	221,476
Allowable expenses	**(238,229)**	(287,151)	**(238,229)**	(287,151)
Taxable income	**(237,200)**	2,994	**(237,200)**	2,994
Income tax charged at;				
Standard rate - 30% - (2023-30%)	**-**	463	**-**	463
Concessionary rates - (2023-18%)	**-**	254	**-**	254
- (2023-14%)	**-**	4	**-**	4
Current tax expense	**-**	721	**-**	721
Under provision for previous years	**-**	9,596	**-**	9,596
Total tax expense	**-**	10,317	**-**	10,317

NOTES TO THE FINANCIAL STATEMENTS

19.6 Reconciliation between tax expense and the product of accounting profit

	Group		Company	
For the year ended 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Adjusted accounting profit / (loss) chargeable to income taxes	**(289,937)**	68,669	**(291,208)**	68,669
Tax effect on chargeable profit / (loss)	**(87,362)**	16,820	**(87,362)**	16,820
Tax effect on non deductible expenses	**17,441**	1,181	**17,441**	1,181
Under provision for previous years	**-**	9,596	**-**	9,596
Tax effect on gratuity transfers	**1,557**	696	**1,557**	696
Tax effect on deductions claimed	**(3,302)**	(21,958)	**(3,302)**	(21,958)
Net tax effect on rate differentials	**-**	53,604	**-**	53,604
Net tax effect of unrecognised deferred tax assets for the year	**-**	(4,769)	**-**	(4,769)
Tax expense/ (reversal)	**(71,666)**	55,170	**(71,666)**	55,170

19.7 Income tax rates of off-shore Subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Private) Ltd	25%

20 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Basis of measurement

Property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in Other Comprehensive Income and Changes in Equity under asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing Land and Building by a professional valuer at least once every 5 years.

Capital Work-in-Progress is stated at cost including borrowing cost capitalised where applicable

De-recognition
An item of property, plant and equipment is 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.

Depreciation commences in the month following the purchase/commissioning of the assets and ceases in the month of disposal/scrapped.

The estimated useful life of assets is as follows:

Assets	Years
Buildings on Freehold Land	30
Buildings on Leasehold Land	20-25
Plant and machinery	2-20
Furniture and fittings and equipment	5-8
Motor vehicles	5
Freezers	10-12
Other assets	2-6

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

20 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the Income Statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve though the Statement of Other Comprehensive Income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased if such indication exists the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis or its remaining useful life.

20 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

20.1 Group and Company

As at 31st March	Land and buildings Rs. '000	Buildings on leasehold land Rs. '000	Plant and machinery Rs. '000	Furniture, fittings and equipment Rs. '000	Motor vehicles Rs. '000	Freezers Rs. '000	Other assets Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Cost or valuation									
At the beginning of the year	543,551	343,466	1,644,982	73,556	2,590	165,717	55,500	**2,829,362**	2,519,043
Additions	1,061	31,129	109,774	7,750	-	26,172	12,971	**188,857**	289,824
Disposals	-	-	(350)	-	-	(988)	(179)	**(1,517)**	(67,303)
Transfers on revaluation	(11,224)	(14,762)	-	-	-	-	-	**(25,986)**	(17,763)
Revaluations	12,802	(5,015)	-	-	-	-	-	**7,787**	105,561
At the end of the year	546,190	354,818	1,754,406	81,306	2,590	190,901	68,292	**2,998,503**	2,829,362
Accumulated depreciation									
At the beginning of the year	(4,403)	(3,809)	(963,551)	(56,150)	-	(65,651)	(33,769)	**(1,127,333)**	(1,016,192)
Charge for the year	(9,741)	(16,319)	(160,137)	(6,957)	(518)	(17,723)	(11,199)	**(222,594)**	(194,264)
Disposals	-	-	283	-	-	916	178	**1,377**	65,360
Transfers on revaluation	11,224	14,762	-	-	-	-	-	**25,986**	17,763
At the end of the year	(2,920)	(5,366)	(1,123,405)	(63,107)	(518)	(82,458)	(44,790)	**(1,322,564)**	(1,127,333)
Carrying value									
As at 31 March 2024									
At Valuation	543,270	349,452	-	-	-	-	-	**892,722**	
At Cost	-	-	631,001	18,199	2,072	108,443	23,502	**783,217**	
	543,270	349,452	631,001	18,199	2,072	108,443	23,502	**1,675,939**	
Carrying value									
As at 31 March 2023									
At Valuation	539,148	314,790	-	-	-	-	-		853,938
At Cost	-	24,867	681,431	17,406	2,590	100,066	21,731		848,091
	539,148	339,657	681,431	17,406	2,590	100,066	21,731		1,702,029

NOTES TO THE FINANCIAL STATEMENTS

20.2 Revaluation of land and buildings

Accounting judgements, estimates and assumptions

The Group / Company uses the revaluation model of measurement of land and buildings. The Group / Company engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location, or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was carried out on 31st December 2023.

The valuations as of 31st December 2023 contained a higher estimation uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

The changes in fair value recognised in Other Comprehensive Income and in the Statement of Changes in Equity.

Details of Land and Building stated at valuation are indicated below;

Property	Location	Method of valuation	Effective date of valuation	Independent Valuer
Land and Building at Keells Food Products PLC	Ja-Ela	Open market value	31st December 2023	Messrs. P.B Kalugalagedera Chartered Valuation Surveyor
Land and Building at Keells Food Products PLC	Pannala	Open market value	31st December 2023	

Type of Asset	Valuation technique	Significant unobservable inputs	Group and Company Estimates for unobservable inputs 2024	Group and Company Estimates for unobservable inputs 2023	Sensitivity of fair value to unobservable inputs
Land- Ja-Ela	Open market value*	Estimated price per perch	Rs. 725,000/-	Rs. 700,000/-	Positively correlated sensitivity
Land- Pannala	Open market value	Estimated price per perch	Rs. 70,000/-	Rs. 70,000/-	
Buildings on freehold land	Open market value	Estimated price per square feet	Rs. 3,500/- Rs. 400/-	Rs. 3,250/- Rs. 400/-	
Buildings on leasehold land	Open market value	Estimated price per square feet**	Rs.150/- Rs.10,000/-	Rs.150/- Rs.10,000/-	

Summary description of valuation methodology;

***Open Market Value method (OMV)**

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

**The impact of the lease on the land, has been adjusted in arriving at the final valuation of building on leasehold land at Pannala.

20.3 Carrying value of total assets

The carrying amount of revalued buildings if they were carried at cost less depreciation, would be as follows;

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cost	**483,765**	451,575	**483,765**	451,575
Accumulated depreciation	**(145,369)**	(143,124)	**(145,369)**	(143,124)
Carrying value	**338,396**	308,451	**338,396**	308,451

20.4 Property, plant and equipment with a cost of Rs.524 Mn (2022/23 -Rs.387 Mn) have been fully depreciated and continue to be in use by the Group and the Company.

20.5 During the financial year, the Group and the Company acquired property, plant and equipment to the aggregate value of Rs. 189 Mn (2022/23 -Rs. 290 Mn) cash payments amounting to Rs. 189 Mn (2022/23 -Rs. 290 Mn) were made during the year for purchase of property, plant and equipment.

20.6 During the year, borrowing costs had not been capitalised.

21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Accounting policy

Right-of-use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group uses 6 months AWPLR based plus margin when calculating the incremental borrowing rate which reflects the average rate of borrowings in the Group. Quarterly calculated incremental borrowing rates were used to discount new leases obtained during the year.

NOTES TO THE FINANCIAL STATEMENTS

21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTD.)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Businesses continued to respond with specific plans to enable smooth and uninterrupted functioning of businesses and operations, despite some of the immediate term challenges due to constraints on supply chains and electricity and fuel disruptions, whilst maintaining strict adherence to Government directives and health and safety considerations. The Group managed to circumvent these issues without a significant impact on output. As such, the Group has not determined impairment as at the reporting date.

21.1 Amounts recognised in the Statement of Financial Position and Income Statement

Set out below, are the carrying amounts of the Group and company's right of use assets and the movements for the year ended 31 March.

		Group and Company	
	As at 31st March	2024 Rs. '000	2023 Rs. '000
21.1.1	**Lease hold properties - Right- of-use assets**		
	Cost		
	At the beginning of the year	**10,632**	11,568
	Reassessment	**-**	(936)
	At the end of the year	**10,632**	10,632
	Accumulated amortisation		
	At the beginning of the year	**(5,592)**	(4,131)
	Amortisation	**(1,423)**	(1,461)
	At the end of the year	**(7,015)**	(5,592)
	Carrying value	**3,617**	5,040

Set out below are the carrying amounts of lease liabilities and the movements for the period ended 31st March.

	As at 31st March	Group and Company 2024 Rs. '000	2023 Rs. '000
21.1.2	**Lease hold properties - Lease liabilities**		
	At the beginning of the year	**6,410**	8,691
	Reassessment	**-**	(936)
	Finance expense on lease liabilities	**1,020**	939
	Payments	**(2,410)**	(2,284)
	At the end of the year	**5,020**	6,410
	Payable within one year	**1,663**	1,391
	Payable after one year	**3,357**	5,019
	Total lease liability as at 31 March	**5,020**	6,410

The following are the amounts recognised in Income Statement

For the year ended	Group and Company 2024 Rs. '000	2023 Rs. '000
Amortisation expense of right-of-use assets	**1,423**	1,461
Finance expense on lease liabilities	**1,020**	939
Total amount recognised in Income Statement	**2,443**	2,400

During the year the company hasn't reconsigned expenses relating to short-term leases and leases of low value assets in Income Statement.

The Group had total cash outflows for leases of Rs.2.4 Mn in 2023/24. (2022/23 - Rs. 2.3 Mn).

The maturity analysis of lease liabilities is disclosed in Note 10.2.2.

22 INTANGIBLE ASSETS

Accounting Policy

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against Income Statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

22 INTANGIBLE ASSETS (CONTD.)

Intangible assets with indefinite useful lives and goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Purchased software

Purchased software is recognised as an intangible asset and is amortised on a straight line basis over its useful life.

Software license

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

A summary of the policies applied to the Company's intangible assets are as follows;

Intangible Assets	Useful life	Acquired/ Internally generated	Impairment testing
Purchased Software	4-6 years	Acquired	When indicators of impairment exists, the amortization method is reviewed at each financial year end.
Software License	4-6 years	Acquired	

De-recognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

		Group and Company		
As at 31st March Rs. '000	Purchased software	Goodwill	2024 Total	2023 Total
22.1 Intangible assets				
Cost				
At the beginning of the year	9,291	242,268	**251,559**	249,288
Additions	525	-	**525**	2,271
At the end of the year	9,816	242,268	**252,084**	251,559
Accumulated amortisation and impairment				
At the beginning of the year	(2,750)	-	**(2,750)**	(1,667)
Amortisation	(1,512)	-	**(1,512)**	(1,083)
At the end of the year	(4,262)	-	**(4,262)**	(2,750)
Carrying value				
As at 31 March 2024	5,554	242,268	**247,822**	
As at 31 March 2023	6,541	242,268		248,809

Group Intangible assets with a cost of Rs. 1.3 Mn (2023 - Rs. 1.3 Mn) have been fully amortised and continue to be used by the Group.

As at 31st March		Group and Company Net carrying value of goodwill 2024 Rs. '000	Group and Company Net carrying value of goodwill 2023 Rs. '000
22.2	Goodwill	**242,268**	242,268

Accounting judgements, estimates and assumptions

Goodwill acquired through business combination is due to the purchase of the manufacturing facility (CGU) of D&W Food Products (Pvt) Ltd and goodwill is tested for impairment as follows;

Impairment of Goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value and its cost to sell or its Value In Use (VIU) the fair value and cost to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental cost from disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include the restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

The recoverable amount of the cash generating unit relevant to the goodwill is more than the carrying amount at the end of the reporting period. Therefore, no impairment loss is recognised in respect of goodwill as at 31st March 2024.

The key assumptions used to determine the recoverable amount for the cash generating units as follows;

Gross margins

The basis used to determine the value assigned to the budgeted gross margins, is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

This discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium which is 15%.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rates based on projected economic conditions.

Volume growth

A volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on industry growth rates. Cash flows beyond the five year period are extrapolated using reasonable growth rate.

Sensitivity of assumptions used

The Management tested several scenarios based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to Value in Use which was computed.

23 INVESTMENTS IN SUBSIDIARY

Accounting Policy

Investment in Subsidiary is initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of an investment in Subsidiary is immediately recognised in the Income Statement. Following the initial recognition, the Investment in Subsidiary is carried at cost less any accumulated impairment losses.

		Company	
	As at 31st March	2024 Rs. '000	2023 Rs. '000
23.1	**Carrying value**		
	Investments in Subsidiary	**220,292**	220,292
	Less		
	Allowance for impairment of investment	**(220,292)**	(220,292)
	Effective Holding %	**100%**	100%

The Subsidiary Company John Keells Foods India (Private) Limited was restructured in June 2010. The carrying value of investment was fully impaired during the financial year 2021/22.

24 NON-CURRENT FINANCIAL ASSETS

Accounting Policy

Non-current financial assets within the scope of SLFRS 9 are classified as financial assets at initial recognition.

			Group		Company	
	As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
	Loans to executives	24.1	**58,780**	48,504	**58,780**	48,504
			58,780	48,504	**58,780**	48,504
24.1	**Loans to executives**					
	At the beginning of the year		**68,286**	70,127	**68,286**	70,127
	Loans granted		**63,977**	62,730	**63,977**	62,730
	Recoveries		**(49,277)**	(64,571)	**(49,277)**	(64,571)
	At the end of the year		**82,986**	68,286	**82,986**	68,286
	Receivable within one year	27	**24,206**	19,782	**24,206**	19,782
	Receivable after one year					
	Receivable between one and five years	24	**58,780**	48,504	**58,780**	48,504
			82,986	68,286	**82,986**	68,286

25 OTHER NON-CURRENT ASSETS

Accounting Policy

Group classifies all non-financial non-current assets that are not expected to be realised within twelve months under other non-current assets.

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Pre-paid staff cost*	**28,657**	22,900	**28,657**	22,900
	28,657	22,900	**28,657**	22,900

*Prepaid staff cost represents the prepaid potion of the loans granted to the staff.

26 INVENTORIES

Accounting Policy

Inventories are valued at the lower of cost or net realizable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

Significant accounting judgements, estimates and assumptions

Inventory provisions are recognised in cases where the expected net realizable value of inventory is lower than its carrying amount, including provisions for obsolete, slow moving stock and waste. The provision is based on periodical reviews performed by the Group. All inventory provisioning requires a level of judgement on how the condition of inventory is impacted by spoilages, shelf – life of products, slow moving goods and industry compliance requirements.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Inventory	Basis of Valuation
Raw materials,machinery spares and other inventories	At actual cost on weighted average basis
Manufactured finished goods, retail inventories and work-in-progress	At the actual cost of direct materials, direct labour and an appropriate portion of fixed production overheads based on normal operating capacity but excluding borrowing cost

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Inventories				
Raw materials	**304,683**	417,952	**304,683**	417,952
Work-in-progress	**42,329**	76,304	**42,329**	76,304
Finished goods	**270,329**	422,731	**270,329**	422,731
Spare parts	**288,602**	265,177	**288,602**	265,177
Goods in transit	**323**	23,346	**323**	23,346
Other inventories	**1,047**	1,505	**1,047**	1,505
	907,313	1,207,015	**907,313**	1,207,015
Provision for slow-moving inventories	**(17,825)**	(12,606)	**(17,825)**	(12,606)
	889,488	1,194,409	**889,488**	1,194,409

The amount recognised as an expense for inventories carried at net realisable value of Rs. 116.6 Mn (2023 - Rs. 70.6 Mn) by the Group and the Company. This is recognised as other operating expenses. (Refer Note 14.2)

NOTES TO THE FINANCIAL STATEMENTS

27 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are classified as current assets if payment is due within one year.

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2023/24, Rs.6.4 Mn (2022/23 Rs.3.3 Mn) was recognised as provision for expected credit losses on trade receivables.

		Group		Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Trade receivables		**710,647**	660,523	**710,647**	660,523
Less: Allowance for expected credit losses		**(6,367)**	(3,294)	**(6,367)**	(3,294)
		704,280	657,229	**704,280**	657,229
Other receivables		**2,788**	8,355	**2,788**	8,355
Loans to executives	24.1	**24,206**	19,782	**24,206**	19,782
		731,274	685,366	**731,274**	685,366

28 OTHER CURRENT ASSETS

Accounting Policy

Group classifies all non-financial current assets under other current assets.

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Pre-payment and non-cash receivables	**20,227**	77,794	**20,223**	77,794
	20,227	77,794	**20,223**	77,794

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
29 CASH IN HAND AND AT BANK				
Cash in hand	**947**	1,043	**947**	1,043
Cash at bank	**67,708**	49,226	**66,889**	49,065
Cash in hand and at bank - favourable	**68,655**	50,269	**67,836**	50,108
Bank overdraft	**(849,515)**	(1,162,846)	**(849,373)**	(1,162,563)
Cash in hand and at bank - unfavourable	**(849,515)**	(1,162,846)	**(849,373)**	(1,162,563)

Security and repayment terms of short-term borrowings - Group and Company

Type of facility	Nature of facility	Facility amount Rs. '000	Security	Repayment terms
Short-term	Bank overdraft	1,565,000	Clean basis	On demand

	2024		2023	
As at 31st March	Number of shares No. '000	Value of shares Rs. '000	Number of shares No. '000	Value of shares Rs. '000
30 STATED CAPITAL				
Fully paid ordinary shares				
At the beginning of the year	**25,500**	**1,294,815**	25,500	1,294,815
At the end of the year	**25,500**	**1,294,815**	25,500	1,294,815

The issued ordinary shares of the Company are listed on the Colombo Stock Exchange.

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
31 REVENUE RESERVE				
Retained earnings	**143,013**	399,669	**142,076**	399,671
	143,013	399,669	**142,076**	399,671

		Group		Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
32 OTHER COMPONENTS OF EQUITY					
Revaluation reserve	32.1	**367,672**	362,221	**367,672**	362,221
Foreign currency translation reserve	32.2	**(4,710)**	(8,832)	**-**	-
Employee share option reserve	32.3	**62,471**	60,403	**62,471**	60,403
		425,433	413,792	**430,143**	422,624

32.1 Revaluation reserve consists of the surplus on the revaluation of property, plant and equipment net of deferred tax effect.

32.2 Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of the foreign subsidiary into Sri Lanka rupees.

NOTES TO THE FINANCIAL STATEMENTS

32.3 Share-based payment plans

Accounting Policy

Employee Share Option Plan- Equity-settled transactions

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the Income Statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

In accounting for employee remuneration in the form of shares, SLFRS 2- Share Based Payments, is effective for the Company, from the financial year beginning 2013/14.

The employee remuneration expense resulting from the John Keells Group's Employees share option (ESOP) scheme to the employees of Keells Food Products PLC is 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 (SOFP).

The fair value of the options granted is determined by using an option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Income Statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in the share based payment plan.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award is modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee Share Option Scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the Parent Company are granted to Senior Executives with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Accounting judgements, estimates and assumptions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The expense recognised for employee services received during the year is shown in the following table:

		Group		Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
At the beginning of the year		**60,403**	60,807	**60,403**	60,807
Expense arising from equity-settled share-based payment transactions		**2,068**	(404)	**2,068**	(404)
At the end of the year	32	**62,471**	60,403	**62,471**	60,403

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

NOTES TO THE FINANCIAL STATEMENTS

32.3 Share-based payment plans (Contd.)

The following information were used and results were generated using binomial model for ESOP.

	2024 Plan no 11 award 2.1	2024 Plan no 11 award 2	2023 Plan no 11 award 1	2022 Plan no 10 award 3	2021 Plan no 10 award 2	2020 Plan no 10 award 1
Dividend yield (%)	**2.07**	**2.54**	2.90	3.28	3.87	3.62
Expected volatility (%)	**25.05**	**24.99**	24.15	22.37	21.35	17.47
Risk free interest rate (%)	**14.49**	**26.92**	23.10	8.87	6.44	9.83
Expected life of share options (Years)	**5**	**5**	5	5	5	5
Weighted average share price at the grant date (LKR)	**158.36**	**137.83**	119.85	132.63	134.74	138.70
Weighted average remaining contractual life for the share options outstanding (Years)	**3**	**3**	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	**52.79**	**45.94**	39.95	44.21	44.91	46.23
Exercise price for options outstanding at the end of the year (LKR)	**145.59**	**137.86**	121.91	136.64	132.86	136.97
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2024)	**145.59**	**137.86**	121.91	136.34	132.86	136.97

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 2024 No.	Group 2024 WAEP Rs.	Company 2024 No.	Company 2024 WAEP Rs.
ESOP PLAN 8				
Outstanding at the beginning of the year	**139,523**	**148.07**	**139,523**	**148.07**
Granted during the year	**40,000**	**145.59**	**40,000**	**145.59**
Transfer in/ (Out)	**(15,200)**	**137.86**	**(15,200)**	**137.86**
Lapses/ forfeited	**(87,723)**	**154.10**	**(87,723)**	**154.10**
Outstanding at the end of the year	**76,600**	**141.90**	**76,600**	**141.90**
Vested as at 31st March	**9,150**	**137.86**	**9,150**	**137.86**

Fair value of the share option and assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected volatility of share price, expected dividend yield and risk free interest rate.

33 INTEREST -BEARING LOANS AND BORROWINGS

As at 31st March	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
33.1 Movement				
Interest- bearing loans and borrowings				
At the beginning of the year	**67,213**	85,668	**67,213**	85,668
Cash movements				
Loans obtained	**224,916**	25,000	**224,916**	25,000
Repayments	**(67,213)**	(43,455)	**(67,213)**	(43,455)
At the end of the year	**224,916**	67,213	**224,916**	67,213

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
33.2 Total Borrowings				
Repayable within one year	**224,916**	67,213	**224,916**	67,213
Repayable after one year	**-**	-	**-**	-
Total Interest -bearing loans and borrowings	**224,916**	67,213	**224,916**	67,213

Security and repayment terms-Group and Company

Nature of facility	Interest rate and security	Year of Maturity	Repayment Terms	2024 Rs. '000	2023 Rs. '000
Project loan	One month Cost of Funds+Margin on a clean basis	March 2024	60 monthly installments commencing from February 2019	**-**	42,213
Short term borrowings	Pre-agreed fixed rate	April 2024	Lump Sum payment in April 2024	**24,916**	25,000
Short term borrowings	Pre-agreed fixed rate	April 2024	Lump Sum payment in April 2024	**200,000**	-
				224,916	67,213

34 EMPLOYEE BENEFIT LIABILITIES

Accounting Policy

Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee defined benefit plan - gratuity

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in Other Comprehensive Income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

		Group		Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
34.1 Total employee benefit liabilities					
Employee defined benefit plan- gratuity	34.3	**160,425**	114,081	**160,425**	114,081
At the end of the year		**160,425**	114,081	**160,425**	114,081

NOTES TO THE FINANCIAL STATEMENTS

	For the year ended 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
34.2	**Employee benefit provisions and related costs**					
	Employee defined benefit plan- gratuity	34.3	**32,313**	19,429	**32,313**	19,429
	Other long-term employee benefits	34.4	**-**	(10,127)	**-**	(10,127)
			32,313	9,302	**32,313**	9,302

	As at 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
34.3	**Employee defined benefit plan- gratuity**					
	At the beginning of the year		**114,081**	133,993	**114,081**	133,993
	Current service cost		**10,067**	7,370	**10,067**	7,370
	Interest cost on benefit obligation		**22,246**	12,059	**22,246**	12,059
			32,313	19,429	**32,313**	19,429
	Transfers		**(5,190)**	2,319	**(5,190)**	2,319
	Payments		**(17,400)**	(2,868)	**(17,400)**	(2,868)
			(22,590)	(549)	**(22,590)**	(549)
	Loss/(gain) arising from changes in assumptions		**36,621**	(38,792)	**36,621**	(38,792)
	At the end of the year	34.1	**160,425**	114,081	**160,425**	114,081
	The expenses are recognised in the Income Statement in the following line items;					
	Cost of sales		**20,923**	11,901	**20,923**	11,901
	Selling and distribution expenses		**6,558**	3,230	**6,558**	3,230
	Administrative expenses		**4,832**	4,298	**4,832**	4,298
		34.2	**32,313**	19,429	**32,313**	19,429

The employee defined benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Smiles Global (Pvt) Ltd.

	As at 31st March	Notes	Group 2024 Rs. '000	Group 2023 Rs. '000	Company 2024 Rs. '000	Company 2023 Rs. '000
34.4	**Other long-term employee benefits**					
	At the beginning of the year		**-**	10,127	**-**	10,127
	Reversal of benefits		**-**	(10,127)	**-**	(10,127)
	At the end of the year	34.2	**-**	-	**-**	-

34.5 Accounting judgements, estimates and assumptions

Employee benefit liability

The employee benefit liability of the Group and Company is based on the actuarial valuation carried out by Independent Actuarial Specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were:	2024	2023
Discount rate	**12% p.a**	19.5% p.a
Future salary increases:		
Executives	**12%**	15%
Non-executives	**11%**	11%
Retirement age		
As of 17 Nov 2021, employees who have attained the age of;		
Less than 52 years	**60 years**	60 years
53 years	**59 years**	59 years
54 years	**58 years**	58 years
55 years	**57 years**	57 years

34.6 Sensitivity of assumptions used

A percentage point change in the assumptions would have the following effects to employee benefit plan - gratuity;

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Discount rate				
1% Increase	**(6,539)**	(4,376)	**(6,539)**	(4,376)
1% Decrease	**7,086**	4,720	**7,086**	4,720
Salary increment rate				
1% Increase	**7,113**	5,008	**7,113**	5,008
1% Decrease	**(6,677)**	(4,704)	**(6,677)**	(4,704)

Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years;

	Group and Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000
Within the next 12 months	**2,699**	2,601
Between 1 and 2 years	**4,694**	950
Between 2 and 5 years	**82,503**	29,533
Between 5 and 10 years	**70,529**	80,997
Total expected payments	**160,425**	114,081
Weighted average duration of the defined benefit plan obligation in years	**5.45**	6.65

35 TRADE AND OTHER PAYABLES

Accounting Policy

Trade payables are aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade and other payables are normally non-interest bearing and settled within one year.

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Trade payables	**291,524**	265,398	**291,524**	265,398
Sundry creditors including accrued expenses	**272,950**	240,625	**268,574**	231,913
	564,474	506,023	**560,098**	497,311

For further explanation on the Group's liquidity risk management process refer note 10.2.2.

NOTES TO THE FINANCIAL STATEMENTS

36 OTHER CURRENT LIABILITIES

Accounting Policy

Group and company classifies all non-financial current liabilities under other current liabilities.

	Group		Company	
As at 31st March	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Other taxes payable	**42,914**	36,341	**42,836**	36,341

37 RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business on an arm's length basis. Outstanding current account balances as at year end are unsecured, interest free and settlement occurs in cash. There are no related party transactions other than that, which have been disclosed below;

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2023 Audited Financial Statements, which requires additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

Recurrent related party transactions which have an aggregate value exceeding 10% of the consolidated revenue of the Group as per the Audited Financial Statements as at 31st March 2023 which requires additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Name of related party	:-	Jaykay Marketing Services (Pvt) Ltd
Relationship	:-	Company under common control
Nature of the transaction	:-	Sale of goods
Aggregate value of related party transactions entered into during the financial year	:-	Rs.1,419 Mn
Aggregate value of related party transactions as a % of net revenue	:-	22.02%
Terms and Conditions of the related party transaction	:-	Ordinary course of business on an arm's length basis

		Group and Company	
As at 31st March	Notes	2024 Rs. '000	2023 Rs. '000
37.1 Amounts due from related parties	37.3		
Companies under common control		**205,560**	235,714
		205,560	235,714

The Company has not recognised a provision for expected credit losses for amounts due from related parties as such recoverability is certain.

As at 31st March	Notes	Group and Company 2024 Rs. '000	2023 Rs. '000
37.2 Amounts due to related parties	37.3		
Entity including its affiliated entities with significant influence over parent		**6,303**	-
Ultimate Parent		**6,994**	4,419
Subsidiary		**-**	-
Companies under common control		**31,832**	10,510
Equity accounted investees of the Parent		**35**	69
		45,164	14,998

As at 31st March	Group and Company Amounts due from 2024 Rs. '000	Amounts due from 2023 Rs. '000	Amounts due to 2024 Rs. '000	Amounts due to 2023 Rs. '000
37.3 Details of due from/due to related parties				
Entity including its affiliated entities with significant influence over parent				
CIC Poultry Farms Ltd	**-**	-	**6,303**	-
Ultimate Parent				
John Keells Holdings PLC	**-**	-	**6,994**	4,419
Subsidiary				
John Keells Foods India (Pvt) Ltd	**-**	-	**-**	-
Companies under common control				
Ceylon Cold Stores PLC	**5**	-	**7,868**	1,923
InfoMate (Pvt) Ltd	**-**	-	**773**	9
Jaykay Marketing Services (Pvt) Ltd	**202,433**	229,213	**19,766**	3,955
John Keells Office Automation (Pvt) Ltd	**-**	-	**129**	-
Trans Asia Hotels PLC	**-**	433	**-**	-
Travel Club (Pte) Ltd	**332**	365	**-**	-
Ceylon Holiday Resorts Limited	**-**	2,067	**-**	-
Hikkaduwa Holiday Resorts (Pvt) Ltd	**-**	1,610	**-**	-
Trinco Holiday Resorts (Pvt) Ltd	**979**	422	**-**	-
Yala Village (Pvt) Ltd	**-**	690	**-**	-
Fantasea World Investments (Pte) Ltd	**385**	289	**-**	-
Tranquility (Pte) Ltd	**901**	625	**-**	-
John Keells PLC	**474**	-	**186**	-
Keells Consultants (Pvt) Ltd	**-**	-	**64**	14
Mack International Freight (Pvt) Ltd	**-**	-	**2,825**	4,609
Mackinnons Travels (Pvt) Ltd	**-**	-	**205**	-
LogiPark International (Pvt) Ltd	**51**	-	**16**	-
Equity accounted investees of the Parent				
DHL Keells (Pvt) Ltd	**-**	-	**-**	45
Fairfirst Insurance Ltd	**-**	-	**35**	24
	205,560	235,714	**45,164**	14,998

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	Group 2024 Rs.'000	Group 2023 Rs.'000	Company 2024 Rs.'000	Company 2023 Rs.'000
37.4 Transactions with related parties				
Entity including its affiliated entities with significant influence over parent				
Purchase of Goods	**54,320**	-	**54,320**	-
Ultimate Parent Company - John Keells Holdings PLC				
Receiving of services	**66,446**	50,619	**66,446**	50,619
Companies under common control				
Sales of Goods	**1,469,615**	1,573,184	**1,469,615**	1,573,184
Purchase of goods	**-**	1,150	**-**	1,150
Receiving of services	**114,299**	115,085	**114,299**	115,085
Subsidiary	**-**	-	**-**	-
Equity accounted investees of the Parent				
Receiving of services	**280**	449	**280**	449
Interest Paid	**(2,866)**	(10,219)	**(2,866)**	(10,219)
Key management personnel (KMP)				
Sales of goods	**-**	-	**-**	-
Close family members of KMP				
Sales of goods	**-**	-	**-**	-
Companies controlled / jointly controlled / significantly influenced by KMP and their close family members	**-**	-	**-**	-
Post Employment Benefit				
Contribution to provident fund	**2,411**	2,702	**2,411**	2,702

Governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee".

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

37 .5 Compensations to Key Management Personnel

Key management personnel include members of the Board of Directors of the Group.

For the year ended 31st March	Group 2024 Rs.'000	Group 2023 Rs.'000	Company 2024 Rs.'000	Company 2023 Rs.'000
Short-term employee benefits	**11,015**	10,920	**11,015**	10,920

The governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee" under Corporate Governance Commentary and the Corporate Information in Note 1 of the Financial Statements.

38 CONTINGENT LIABILITIES

Accounting Policy

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37)

or

- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15)

Contingent assets are disclosed, where inflow of economic benefit is probable.

There were no contingent liabilities for the Group at the end of reporting period.

39 CAPITAL AND OTHER COMMITMENTS

39.1 Capital Commitments

Capital Commitments approved but not provided for as at the reporting date is as follows;

As at 31st March	Group 2024 Rs.'000	Group 2023 Rs.'000	Company 2024 Rs.'000	Company 2023 Rs.'000
Approved and contracted but not provided for	**9,300**	85,069	**9,300**	85,069
	9,300	85,069	**9,300**	85,069

40 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting date, which require disclosure in the Financial Statements.

YOUR SHARE IN DETAIL

ORDINARY SHAREHOLDING

Number of Ordinary Shares - 25,500,000

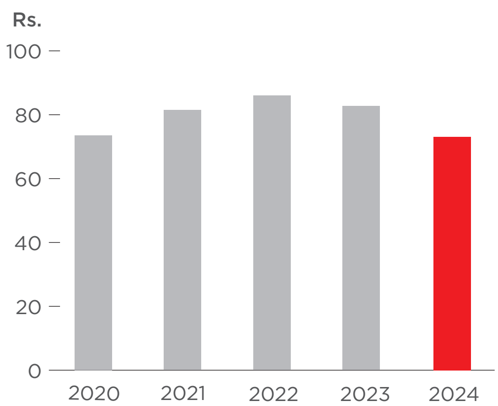
Distribution of Shareholders

Shareholding Range	As at 31st March 2024 No. of Shareholders	No. of Shares Held	%	As at 31st March 2023 No. of Shareholders	No. of Shares Held	%
Less than or equal to 1,000	**1,090**	**161,439**	**0.63**	1,064	159,212	0.63
1,001 to 10,000	**115**	**324,889**	**1.28**	116	329,449	1.29
10,001 to 100,000	**23**	**741,983**	**2.91**	21	725,005	2.84
100,001 to 1,000,000	**5**	**1,334,439**	**5.23**	5	1,349,084	5.29
Over 1,000,001	**2**	**22,937,250**	**89.95**	2	22,937,250	89.95
	1,235	**25,500,000**	**100.00**	1,208	25,500,000	100.00

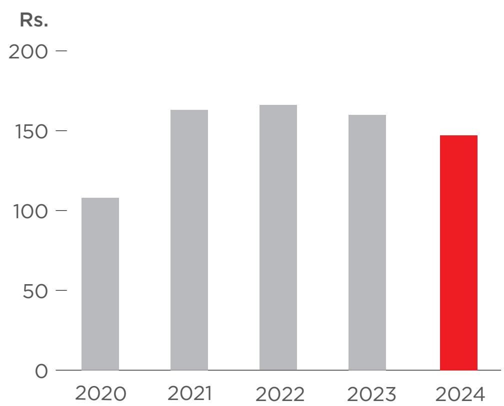
Categories of Shareholders	As at 31st March 2024 No. of Shareholders	No. of Shares Held	%	As at 31st March 2023 No. of Shareholders	No. of Shares Held	%
John Keells Holdings PLC and Subsidiaries	**2**	**22,937,250**	**89.95**	2	22,937,250	89.95
Directors and Spouses	**-**	**-**	**-**	-	-	-
CEO and Spouse	**-**	**-**	**-**	-	-	-
Shareholders holding more than 10%	**-**	**-**	**-**	-	-	-
Public	**1,233**	**2,562,750**	**10.05**	1,206	2,562,750	10.05
Total	**1,235**	**25,500,000**	**100.00**	1,208	25,500,000	100.00
Sri Lankan Residents	**1,215**	**25,265,678**	**99.08**	1,189	25,266,328	99.08
Non-Residents	**20**	**234,322**	**0.92**	19	233,672	0.92
Total	**1,235**	**25,500,000**	**100.00**	1,208	25,500,000	100.00

The Company had a float adjusted market Capitalisation of Rs. 377 million, 10.05% public shareholding which includes 1,233 public shareholders. Therefore, the Company is compliant under option 2 of the minimum threshold requirements for the Diri Savi Board of the CSE, as per section 7.6 of the listing rules of the CSE.

NET ASSET PER SHARE



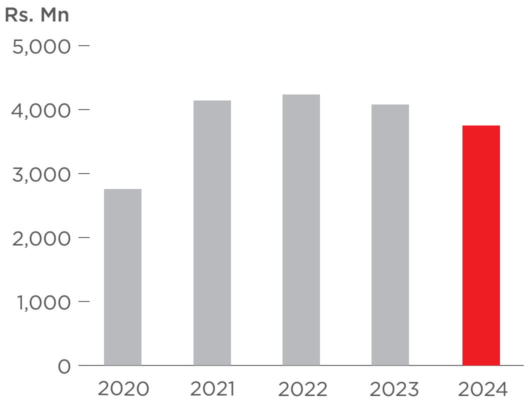
MARKET PRICE PER SHARE



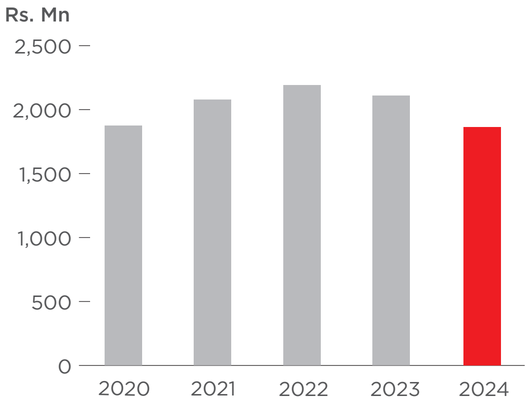
Top 20 Shareholders	As at 31st March 2024 No. of Shares Held	As at 31st March 2024 % of Issued Capital	As at 31st March 2023 No. of Shares Held	As at 31st March 2023 % of Issued Capital
John Keells Holdings PLC	**20,364,054**	**79.86**	20,364,054	79.86
John Keells PLC	**2,573,196**	**10.09**	2,573,196	10.09
Usui Lanka (Pvt) Ltd	**745,498**	**2.92**	735,893	2.89
People's Leasing and Finance PLC/ L P Hapangama	**245,719**	**0.96**	195,719	0.77
People's Leasing and Finance PLC/ H L M P Haradasa	**126,752**	**0.50**	126,752	0.50
T R L Holdings (Pvt) Limited	**111,750**	**0.44**	100,000	0.39
Mr. J B Hirdaramani	**104,720**	**0.41**	104,720	0.41
Ms. N Harnam	**82,844**	**0.32**	82,844	0.32
People's Leasing and Finance PLC/ C.D.Kohombanwickramage	**70,631**	**0.28**	-	-
Sampath Bank PLC/Mrs. Priyani Dharshini Ratnagopal	**70,049**	**0.27**	-	-
Employees Trust Fund Board	**48,842**	**0.19**	48,842	0.19
Deustche Bank AG Singapore A/C 02 / P.W.M. WM Client	**47,469**	**0.19**	47,469	0.19
Mrs. J M Blackler	**46,686**	**0.18**	46,686	0.18
Mr. A J M Jinadasa	**45,000**	**0.18**	36,000	0.14
Harnam Holdings SDN BHD	**40,000**	**0.16**	40,000	0.16
Mrs. G J I S De Fonseka	**33,240**	**0.13**	33,240	0.13
People's Leasing and Finance PLC/ L.H.L Noris De Silva and Son (Pvt) Ltd	**28,273**	**0.11**	28,273	0.11
Akbar Bothers (Pvt) Ltd A/C 01	**26,023**	**0.10**	26,023	0.10
Ms. N Bandaranayake	**25,270**	**0.10**	25,270	0.10
Mr. K C Vignarajah	**24,600**	**0.10**	24,600	0.10

Share Prices - (Rs.)	2024		2023	
Beginning of the year (As at 01st April)	**160.00**		166.25	
Highest for the year	**186.00**	**(08-08-2023)**	209.25	(28-04-2022)
Lowest for the year	**133.00**	**(01-03-2024)**	150.00	(28-04-2022)
End of the year (As at 31st March)	**147.00**		160.00	

MARKET CAPITALISATION



SHAREHOLDERS FUNDS



TEN YEAR INFORMATION AT A GLANCE

For the year ended 31st March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenue	**5,798,813**	6,444,270	4,601,230	3,651,241	3,590,579	3,429,791	3,118,976	3,048,594	3,030,204	2,617,980
Profit / (loss) from operating activities	**(137,186)**	230,477	394,896	329,304	207,667	362,892	338,884	380,354	426,782	338,353
Net finance (cost) / income	**(152,751)**	(161,362)	(5,131)	(3,063)	(2,949)	14,892	10,521	11,460	6,606	(6,938)
Profit / (loss) before Tax	**(289,937)**	69,115	389,765	326,241	204,718	377,784	349,404	391,814	433,388	331,415
Tax (expense) / reversal	**71,666**	(55,170)	(60,192)	(5,261)	(54,543)	(110,651)	(105,801)	(116,395)	(98,682)	(70,126)
Net profit after tax	**(218,271)**	13,945	329,573	320,980	150,175	267,133	243,603	275,419	334,706	261,289

As at 31st March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
WHAT WE OWNED										
Property, plant and equipment	**1,675,939**	1,702,029	1,502,851	1,546,009	1,583,519	1,250,470	1,183,804	1,183,711	1,160,902	1,152,592
Non Current assets (Including Goodwill)	**338,876**	325,253	314,763	307,836	305,978	294,164	293,376	298,659	273,156	276,403
Short term investments	**-**	-	-	514	1,795	37,466	108,095	137,558	285,561	263,452
Inventories	**889,488**	1,194,409	585,727	543,139	399,214	337,117	309,081	294,587	234,182	224,170
Trade and other receivable including amounts due from related parties	**936,834**	921,080	817,684	626,292	525,552	559,104	446,172	446,986	401,885	356,254
Other current assets (Including income tax receivables)	**120,743**	159,924	218,509	44,844	70,709	89,970	91,574	46,921	56,555	45,633
Total Assets	**3,961,880**	4,302,695	3,439,534	3,068,634	2,886,767	2,568,291	2,432,102	2,408,422	2,412,241	2,318,504
WHAT WE OWED										
Stated capital	**1,294,815**	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815	1,294,815
Revenue reserves	**143,013**	399,669	503,344	422,733	285,844	286,241	220,510	128,747	279,707	230,807
Other components of equity	**425,433**	413,792	394,472	358,834	295,331	266,119	231,538	246,567	196,616	173,184
Total equity	**1,863,261**	2,108,276	2,192,631	2,076,382	1,875,990	1,847,175	1,746,863	1,670,129	1,771,138	1,698,806
Non-current liabilities	**369,973**	405,607	344,332	373,756	484,751	351,490	325,922	306,688	317,639	285,806
Interest bearing borrowings - current	**224,916**	67,213	43,455	43,455	43,455	4,629	33,495	50,000	50,000	50,000
Lease liabilities - current	**1,663**	1,391	1,243	1,041	960	-	-	-	-	-
Bank overdrafts	**849,515**	1,162,846	245,261	160,780	176,280	15,632	1,332	39,471	10,435	28,661
Trade and other payables including amounts due to related parties and other current liabilities	**652,552**	557,362	572,459	393,947	305,331	315,794	282,080	276,642	240,658	255,231
Income tax payable	**-**	-	40,153	19,273	-	33,571	42,410	65,492	22,371	-
Total Equity and Liabilities	**3,961,880**	4,302,695	3,439,534	3,068,634	2,886,767	2,568,291	2,432,102	2,408,422	2,412,241	2,318,504

The above indicates the simplified Income Statement and the Statement of Financial Position of the Group.
The Statement of Financial Position is categorised in to its key Assets and Liabilities.
All figures are given in Rs. '000s unless otherwise stated.

KEY FIGURES AND RATIO

For the year ended 31st March			2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
KEY INDICATORS												
(A)	PROFITABILITY AND RETURN TO SHAREHOLDERS											
	Net profit ratio	%	**(3.76)**	0.22	7.16	8.79	4.18	7.79	7.81	9.03	11.05	9.98
	Earnings per share	Rs.	**(8.56)**	0.55	12.92	12.59	5.89	10.48	9.55	10.80	13.13	10.25
	Return on equity	%	**(10.99)**	0.65	15.44	16.24	8.07	14.87	14.26	16.01	19.29	16.09
	Return on capital employed	%	**(4.36)**	7.84	16.09	14.31	10.10	19.79	18.96	20.51	22.31	18.25
	Dividend per share	Rs.	**0.50**	2.00	9.50	7.00	6.00	8.00	6.00	16.75	11.00	5.00
	Debt equity ratio	%	**57.66**	58.34	15.09	13.96	18.21	2.10	1.99	7.38	8.14	12.51
	Shareholder equity ratio	%	**47.03**	49.00	63.75	67.66	64.99	71.92	71.83	69.35	73.42	73.27
(B)	LIQUIDITY											
	Current ratio	Times	**1.13**	1.27	1.80	1.96	1.90	2.77	2.66	2.15	3.02	2.66
	Quick ratio	Times	**0.61**	0.60	1.15	1.09	1.14	1.86	1.80	1.46	2.30	1.99
	Interest cover	Times	**(0.82)**	1.34	31.91	26.17	16.97	229.63	42.47	30.38	31.70	17.25
(C)	INVESTOR'S RATIO											
	Price earnings ratio	Times	**(17.17)**	290.91	12.87	12.91	18.37	11.91	13.60	13.43	12.95	10.57
	Dividend cover	Times	**(17.12)**	0.28	1.36	1.80	0.98	1.31	1.59	0.64	1.19	2.05
	Dividend payout	%	**(5.84)**	365.72	73.50	55.61	101.88	76.37	62.81	155.08	83.80	48.80
	Dividend yield	%	**0.34**	1.25	5.71	4.31	5.55	6.41	4.62	11.55	6.47	4.62
	Earnings yield	%	**(5.82)**	0.34	7.77	7.75	5.44	8.40	7.35	7.45	7.72	9.46
	Net assets per share	Rs.	**73.07**	82.68	85.99	81.43	73.57	72.44	68.50	65.50	69.46	66.62
(D)	SHARE VALUATION											
	Market value per share	Rs.	**147.00**	160.00	166.25	162.50	108.20	124.80	129.90	145.00	170.00	108.30
(E)	OTHER INFORMATION											
	Number of permanent employees	No	**400**	397	399	399	383	352	339	343	322	301
	Turnover per permanent employee	Rs.'000	**14,497**	16,232	11,532	9,151	9,375	9,744	9,201	8,888	9,411	8,698

The above ratio are based on the Income Statement and the Statement of Financial Position of the Group.

REAL ESTATE PORTFOLIO

Location	Number of Buildings	Buildings in Sq. Feet	Land in Acres		Net Book Value/ Valuation 2024	2023
			Freehold	Leasehold	Rs. '000	Rs. '000
KEELLS FOOD PRODUCTS PLC						
16, Minuwangoda Road, Ekala, Ja-Ela	5	44,578	3.00	-	**494,106**	489,987
16, Minuwangoda Road, Ekala, Ja-Ela	3	8,120	-	1.00	**15,066**	14,668
Industrial Estate, Makadura, Gonawila, Pannala	4	41,166	-	4.08	**334,386**	324,986
Industrial Estate, Makadura, Gonawila, Pannala	-	-	3.86	-	**49,164**	49,164
					892,722	878,805

GLOSSARY OF FINANCIAL TERMINOLOGY

ACCRUAL BASIS
Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt including lease liabilities.

CASH EARNINGS PER SHARE
Profit After Tax attributable to Ordinary Shareholding adjusted for non-cash items over by weighted average number of shares in issue during the year.

CONTINGENT LIABILITIES
A condition or situation existing at the end of the reporting period due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

CURRENT RATIO
Current Assets over Current Liabilities.

DEBT/ EQUITY RATIO (GEARING)
Debt as a percentage of Shareholders' Funds.

DIVIDEND PAYABLE
Final Dividend per share multiplied by the latest available total number of shares as at the reporting date.

DIVIDEND PER SHARE - PAID
Gross Dividends paid to ordinary shareholders divided by Number of Ordinary Shares issued.

DIVIDEND COVER
Earnings per Share over Dividend per Share.

DIVIDEND PAYOUT RATIO
Total Dividend as a percentage of Profit After Tax.

DIVIDEND YIELD
Dividend per Share as a percentage of Market Price of Share at the end of the period.

EARNINGS PER SHARE (EPS)
Profit After Tax attributable to Ordinary Share holding over weighted average number of shares in issue during the period.

ENTERPRISE VALUE
Market Capitalisation plus Debt and minus Total Cash and Cash Equivalents.

EARNINGS YIELD
Earnings per Share as a percentage of Market Price per Share at the end of the period.

EBIT
Earnings Before Interest and Tax (includes other operating income)

EBITDA
Earnings before interest expense, tax, depreciation and amortization (includes other operating income). Note that EBITDA includes interest income but excludes exchange gains or losses.

EFFECTIVE RATE OF TAXATION
Income Tax including Deferred Tax over Profit Before Tax.

INTEREST COVER
Profit Before Interest and Tax over Finance Expenses.

MARKET CAPITALISATION
Number of Shares in issue at the end the of period multiplied by the share price at end of the period.

NET ASSETS
Total Assets minus Current Liabilities minus Long Term Liabilities minus Minority Interest.

NET ASSET PER SHARE
Net Assets divided by number of Ordinary Shares in issue at the end of the period.

NET DEBT
Debt minus Cash and Short-Term Deposits.

NET PROFIT MARGIN
Profit After Tax attributable to equity holders of the Parent divided by total Revenue.

NET WORKING CAPITAL
Current Assets - Current Liabilities

NET TURNOVER PER PERMANENT EMPLOYEE
Net Turnover over average number of permanent employees.

PRICE EARNINGS RATIO
Market Price of Share over Earnings per Share.

PUBLIC HOLDING
Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK RATIO
Cash plus Short-Term Investments plus Receivables over Current Liabilities.

RETURN ON ASSETS
Profit After Tax over Average Total Assets.

RETURN ON CAPITAL EMPLOYED
EBIT as a percentage of average capital employed.

RETURN ON EQUITY
Consolidated Profit After Tax as a Percentage of Average Shareholders' Funds.

SHAREHOLDERS' FUND
Stated Capital, Other Components of Equity and Revenue Reserves.

SHAREHOLDERS' EQUITY RATIO/ EQUITY ASSETS RATIO
Total Equity over Total Assets.

TOTAL ASSETS
Fixed Assets plus Investment plus Non-Current Assets plus Current Assets.

TOTAL DEBTS
Long and short-term loans, including overdrafts, but excluding lease liabilities.

TOTAL DEBTS/ TOTAL ASSETS
Total Debts over Total Assets.

TOTAL VALUE ADDED
The difference between Revenue (including Other Income) and Expenses, Cost of Materials and Services purchased from External Sources.

WORKING CAPITAL
Trade Receivables + Inventory + Amount due from Related Parties - Trade and Other Payables - Amount due to Related Parties

NOTES

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NOTICE OF MEETING

Notice is hereby given that the 42nd **Annual General Meeting (AGM) of Keells Food Products PLC** (Company) will be held as a virtual meeting on Tuesday, 18th June 2024 at 10.30 a.m.

The business to be brought before the Meeting will be:

1. To read the Notice convening the Meeting.

2. To receive and consider the Annual Report and the Financial Statements for the Financial Year ended 31st March 2024 with the Report of the Auditors thereon.

3. To re-elect as a Director, Mr. D P Gamlath who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. D P Gamlath is contained in the Board of Directors' section in the Annual Report.

4. To re-elect as a Director, Ms. P N Fernando who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Ms. P N Fernando is contained in the Board of Directors' section in the Annual Report.

5. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2024/25 and to authorise the Directors to determine their remuneration.

6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report and the Financial Statements of the Company are available on the:

(1) Corporate Website - https://www.keellsfoods.com/investor-relations/#financial-reports

(2) The Colombo Stock Exchange Website - https://www.cse.lk/Search Company - Keells Food Products PLC - (KFP.N0000)

Members may also access the Annual Report and the Financial Statements on their electronic devices by scanning the following QR code.

By Order of the Board
Keells Food Products PLC

Keells Consultants (Private) Limited
Secretaries

20th May 2024

NOTICE OF MEETING

For clarifications on how to download and/or access the Annual Report and the Financial Statements, please contact Mr. Gihan Samarakkody on +94 772756890 during normal office hours (8.30 a.m. to 4.30 p.m.) or e-mail gihansa.ccs@keells.com.

Should any Members wish to obtain a hard copy of the Annual Report, they may complete and send the Form of Request to No.148, Vauxhall Street, Colombo 2 or facsimile No. +94 11 2447422 by filling the Form of Request attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days subject to the prevailing circumstances at the time from the date of receipt of the request.

Notes:

a. A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

b. A proxy need not be a member of the Company.

c. A Member wishing to vote by Proxy at the AGM may use the Form of Proxy enclosed herein.

d. Members are encouraged to vote by proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the AGM in the Form of Proxy.

e. In order to be valid, the completed Form of Proxy must be lodged at the registered office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 or forwarded to the email address: keellsconsultants@keells.com or facsimile No. +94 11 2439037 not less than 48 hours before the AGM.

f. A vote can be taken on a show of hands or by a poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Member and his/her proxy holder are both present at the Meeting, only the Member's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

FORM OF PROXY

I/We...of

....being a shareholder/s of Keells Food Products PLC,

hereby appoint: ....of

.... or failing him/her

Mr. Krishan Niraj Jayasekara Balendra	or failing him
Mr. Joseph Gihan Adisha Cooray	or failing him
Mr. Daminda Prabhath Gamlath	or failing him
Ms. Shehara De Silva	or failing her
Mr. Pravir Dhanoush Samarasinghe	or failing him
Mr. Indrajit Samarajiva	or failing him
Ms. Payagalage Nelindra Fernando	

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Forty Second Annual General Meeting of the Company to be held on Tuesday, 18th June 2024 at 10.30 a.m. and at any postponement or adjournment thereof and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST	ABSTAINED
To re-elect as a Director, Mr. D P Gamlath, who retires in terms of Article 83 of the Articles of Association of the Company.			
To re-elect as a Director, Ms P N Fernando, who retires in terms of Article 83 of the Articles of Association of the Company.			
To re-appoint the Auditors and to authorise the Directors to determine their remuneration.			

Signed on this .... day of .... Two Thousand and Twenty Four (2024).

....

Signature/s of shareholder/s

NOTE : INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY ARE NOTED ON THE REVERSE.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, or forwarded to the email address: keellsconsultants@keells.com or facsimile No. +94 11 2439037 no later than 48 hours before the time appointed for the holding of the AGM.

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 appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : ....

Address : ....

Jointly with : ....

Share Folio No/ CDS Account No : ....

National Identity Card No. ....

CORPORATE INFORMATION

NAME OF COMPANY
Keells Food Products PLC

COMPANY REGISTRATION NUMBER
PQ 3

LEGAL FORM
Public Limited Liability Company Established in 1982

REGISTERED OFFICE OF THE COMPANY
No. 117, Sir Chittampalam A. Gardiner Mawatha,
Colombo 02, Sri Lanka.
Tel: +94 11 2421101

EKALA FACTORY
No. 16, Minuwangoda Road,
Ekala, Ja-Ela, Sri Lanka.
Tel: +94 11 2236317
Fax: +94 11 2236359
E-mail: foods@keells.com
Web: www.keellsfoods.com

PANNALA FACTORY
P.O. Box 14, Industrial State, Makadura,
Gonawila (NWP), Sri Lanka.
Tel: +94 37 4933248-51
Fax: +94 31 2298195

BOARD OF DIRECTORS
Mr. K N J Balendra (Chairman)
Mr. J G A Cooray
Mr. D P Gamlath
Ms. P N Fernando
Ms. S De Silva
Mr. P D Samarasinghe
Mr. I Samarajiva

AUDIT COMMITTEE
Mr. P D Samarasinghe (Chairman)
Ms. S De Silva
Mr. I Samarajiva

SECRETARIES AND REGISTRARS
Keells Consultants (Pvt) Ltd
No. 117, Sir Chittampalam A. Gardiner
Mawatha, Colombo 02, Sri Lanka.
Tel: +94 11 2306245
Fax: +94 11 2439037

EXTERNAL AUDITORS
Ernst & Young, Chartered Accountants,
Rotunda Towers, 109 Galle Rd, Colombo 03
Sri Lanka.

INTERNAL AUDITORS
Deloitte Advisory Services (Pvt) Ltd
100 Braybrooke Place, Colombo 02
Sri Lanka.

BANKERS
Commercial Bank of Ceylon PLC
Deutsche Bank AG
Hongkong & Shanghai Banking Corporation Ltd
Nation Trust Bank PLC
Hatton National Bank PLC
Union Bank of Colombo PLC
NDB Bank PLC
Sampath Bank PLC
Seylan Bank PLC

STOCK EXCHANGE LISTING
The Ordinary Shares of the Company are Listed
with the Colombo Stock Exchange of Sri Lanka

SUBSIDIARY COMPANY
John Keells Foods India (Pvt) Ltd

Designed & produced by
emagewise
Printed by Printel (Pvt) Limited.

KEELLS

KREST