

Strong. Agile. Resilient.

Convenience Foods (Lanka) PLC



Annual Report
2022/23

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Chairman's Message

Gross profit showed an increase of 62% attributed to higher sales, even though there were significant cost....

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Read More..

Managing Director's Message

We have also prioritized operational efficiency by implementing technology solutions, streamlining....

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Read More..

Our Value Creation Model

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Strong. Agile. Resilient.

In a year that shook the economy of our nation, we stayed strong and true to our purpose. Our commitment to delivering goodness, convenience and quality through our brands remained undeterred, as we innovated in product and process to keep our products accessible and affordable. We took pride in being a part of our consumer's home and a driver of growth in our nation, as we partnered our value chain to build resilience and implement future focused strategy. We focused on building competencies and capacities that will help us navigate the future. Our people, across our value chain, led change to create sustainable and impactful results that embodied our core values of caring, quality, innovation and integrity. We took challenge in our stride and built on experience to find new ways and opportunities to grow. This year, we faced challenges as never before and achieved exceptional performance. Our foundations of purpose and core values continue to anchor us and as challenge comes our way, we will continue to grow strong, agile and resilient.



Our Vision, Mission, Purpose and Values

Vision

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

Mission

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

Group Purpose

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

Group Core Values

Caring

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

Quality

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

Innovation

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

Integrity

We act honestly, responsibly and ethically.



Feel free to explore the website for further details and information.



About This Report

Welcome to our Annual Report of Convenience Foods (Lanka) PLC



Scope and Boundary

This Report includes a coverage of Convenience Foods (Lanka) PLC (CFL) business and operational activities, as well as the risk, governance and sustainability measures that are established to achieve the Company's strategic ambitions, while divulging the expectations of stakeholders. In addition, the Report covers both financial and non-financial data, enabling not only our shareholders but a wide range of stakeholders throughout our value chain, to ascertain the performance of CFL in a number of different forms.

CFL adopts a 12 months annual reporting cycle and this year's report covers the period from 1st of April 2022 to 31st of March 2023. Any material events after this date and up to the Board approval date of 31st July 2023 have also been included in this report. Our previous Report (Rising to the Challenge) was for the year ended 31st March 2022 and released on the 16th of August 2022.

Reporting Structure

The Company has strived to deliver a comprehensive, reasonable, and relevant Report, while adhering to the recommendations of the IIRC, together with our regular financial reporting standards. The structure of the report provides an overview of the steps taken to nurture our capitals' through which we deliver value to our stakeholders. We aim to continually improve the quality of our reporting standards and as such, this year's report includes the following features with the intent of enhancing clarity and readability:

- ▶ Our stakeholder value creation model.
- ▶ Increased strategic orientation in reporting.
- ▶ Improved connectivity using navigation icons.
- ▶ Careful consideration of relevant and material information.

Independent Assurance

Convenience Foods (Lanka) PLC has obtained an independent assurance for the financial statements from External Auditors Messrs KPMG. The financial statements have been included from pages 109 to 148.

Targeted Audience

The Report is aimed at providing Company related information to our shareholders and potential investors, in order to make informed decisions about the organization's growth, strength, stability, and sustainability aspects. The material matters in this Report also looks to support the information requirements of other stakeholders, including customers, employees, suppliers, business partners, and local communities. We have taken the responsibility for providing mandatory disclosures as well as voluntary information as may be deemed necessary and important by relevant regulatory and statutory bodies.

Reporting Standards

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

Integrated Reporting

- ▶ International <IR> Framework of the IIRC.
- ▶ A Preparer's Guide to Integrated Corporate Reporting ICASL.
- ▶ The guidelines for presentation of Annual Reports 2021 ICASL.
- ▶ Handbook on Integrated Corporate Reporting ICASL.

Financial Reporting, Governance, Risk Management and Operations

- ▶ Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CASL.
- ▶ Listing requirements of the CSE and subsequent revisions to date.
- ▶ Securities and Exchange Commission of Sri Lanka (SEC) Act, including directives and circulars.

About This Report

- ▶ Code of Best Practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).
- ▶ Laws and regulations of the Companies Act No. 7 of 2007.
- ▶ Code of Best Practices on Related Party Transactions (2013) advocated by SEC.

Assurance

- ▶ Sri Lanka Auditing Standards (SLAuS).
- ▶ Internal Auditing Framework of Institute of Internal Auditors.

Sustainability Reporting

- ▶ GRI Standards published by the Global Reporting Initiative, sustainability reporting standards.
- ▶ Aligned to United Nations Sustainable Development Goals.
- ▶ Disclosure on Gender Parity Reporting (ICASL).

Transparency

- ▶ Strong internal processes to ensure the integrity of financial and non-financial information.
- ▶ Timely and adequate disclosure of material information.
- ▶ External assurance on the Financial Statements.

Accountability

- ▶ Clearly defined governance structures at the Company to support the timeliness, accuracy and relevance of the financial and non-financial information provided.
- ▶ Statement of Board Responsibility in confirming the integrity of the Annual Report.
- ▶ Board commitment to ESG through the launch of CFL Sustainability initiatives.

Board Responsibility

The Board takes responsibility and assures the credibility of our Annual Report 2022/23. The Board assures that the report gives a fair and transparent account of all material issues underlining the sustainability of Convenience Foods (Lanka) PLC.

Signed for and on behalf of the Board:

R. S. A. Wickramasingha
Chairman

31st July 2023

Feedback

We understand that integrated reporting is an ongoing learning process. Hence, we welcome your feedback and suggestions to improve our 2022/23 annual report along with any queries and clarifications.

Please contact:

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

Navigation Our Annual Report

Capitals



Financial Capital



Manufactured Capital



Human Capital



Intellectual Capital



Social and Relationship Capital



Natural Capital

Stakeholders



Shareholders



Employees



Customers



Suppliers and Business Partners



Government and Regulatory Bodies



Communities

About The Company



Convenience Foods (Lanka) PLC (CFL), a subsidiary of CBL Investments Limited, has a history spanning more than three decades. CFL entered the Sri Lankan business arena and commenced operations in 1991, named as Soy Foods Forbes and Walker Limited, a public quoted subsidiary of Forbes and Walker Limited. The Company pioneered the concept of textured soy protein (TSP) or popularly known as the soya meat market locally. Creating headway under the brand 'Lankasoy' this product functioned as an alternative source of protein, and grew in popularity, especially among the vegetarian and vegan markets.

In 2000, Ceylon Biscuits Limited (CBL) - who has been a pioneer in the local business arena - gained a controlling stake in the business by acquiring a majority share of 71.38%. The Company was renamed under the name Soy Foods Lanka Limited. The market which was slow moving put into gear with the introduction of nugget-shaped fish, chicken and vegetarian flavoured soya products. These new, flavoured soya products transformed and expanded the domestic soya market, leading to many accolades for the brand. With ambitious growth strategies in the

pipeline in 2008, the Company changed its name to Convenience Foods (Lanka) PLC, to reflect its growth plans of diversification beyond soya-based foods, into the convenience foods segment.

In 2017, CBL Investments Limited purchased 71.38% of the issued share capital of CFL from Ceylon Biscuits Limited, thereby transferring majority ownership of CFL to CBL Investments Limited. This diversification heralded the growth of the product range, adding Sera Kottu, Sera Salt, and Sera Coconut Milk to the portfolio. The year 2021 witnessed further growth in the product range with the introduction of Sera spices. Today, the Company has a portfolio of more than 100 SKU's and enjoys the patronage of consumers across different continents. We have built the foundation to make a presence in the Middle East, Europe, the USA, Asia and thereby contribute a noteworthy percentage towards CBL exports. Our success has been amply rewarded with the many awards and accolades which we have received over the years, which is indeed an affirmation of our brand's strength and the trust we have created in our consumers.

The registered office of the Company is located at No.555, High Level Road, Makumbura, Pannipitiya and the principal place of business is situated at No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana. Throughout the years, CFL has ensured they utilize high-tech machinery and automated packaging lines in accordance with global standards. The factory has received ISO 9001, 14001 and 22000 standard accreditations, along with GMP, HACCP and Sri Lanka Standards (SLS) certification for soy food products certified by the Sri Lanka Standard institution.

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

Year at a Glance



Strength of Financial Capital



- Revenue Growth: 65%.
- Current Asset Ratio: 1.85 Times.
- Compliance Award: Manufacturing Companies. (Turnover Up to Rs. 10 Bn) 57th Annual Report Awards 2022, The Institute of Chartered Accountants of Sri Lanka.

Manufactured Capital Update



- Production processes adhere to the quality standards.
- Capital Expenditure: Rs. 85.5 Mn.
- Continuous product quality testing.

Value adding to Human Capital



- A workforce of 355 Fulltime employees.
- 1,236 training hours.
- Make sure wellbeing of the employees.

Enhancement of Intellectual Capital



- New Product Developments: 3.
- Investment in R&D.
- Continuous innovation in our product portfolio.
- Consistent efforts and Investment on brands.

Contribution to Social Relationship Capital



- Long term relationship with supplier base.
- Strong customer complaints handling process.
- Acknowledgement of product responsibility.
- Continuous efforts on compliances and certifications.

Natural Capital



- 1,659 Trees planted during the financial year 2022/23.
- Efforts on sustainability initiatives.
 - PET Bottles Collecting Project
 - Trees for Life Project
 - ECO Friday
 - Project PROMISE
 - 'Haritha Piyawara' Project
 - Home Gardening Campaign and Competition
- Fully compliant with the requirements of ISO 14001:2015 Environmental Management Systems.



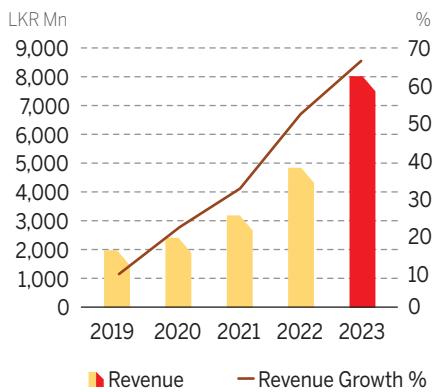
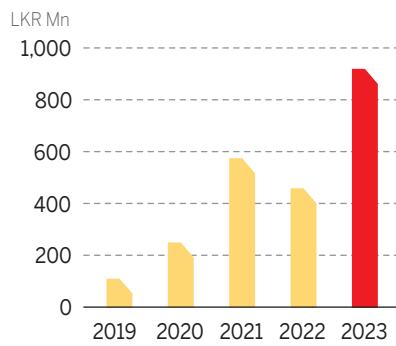
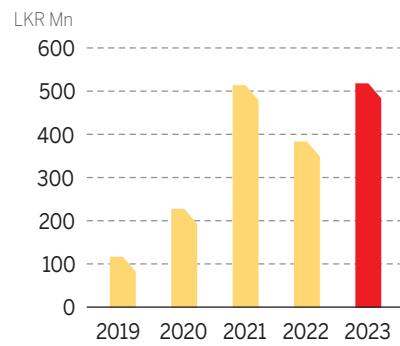
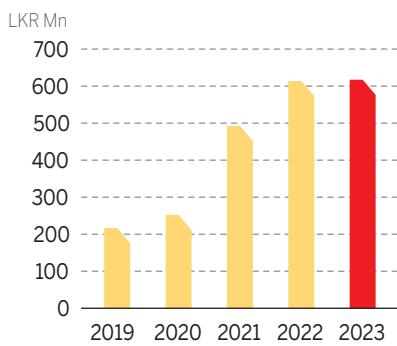
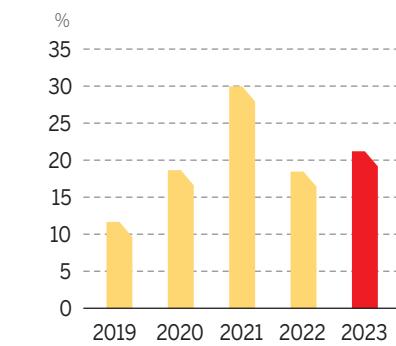
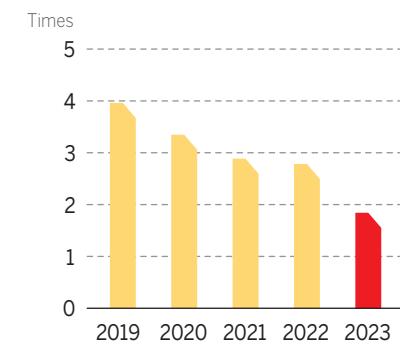
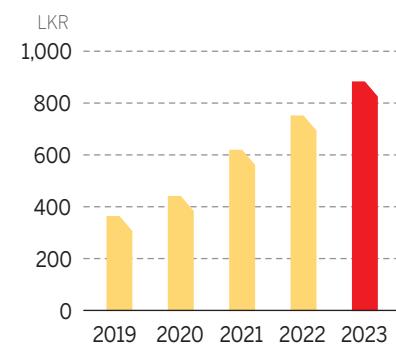
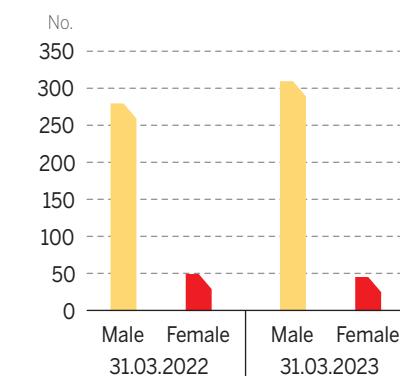
Revenue Growth

65.0%

GP Margin %

23.8%

Net Profit Margin %

6.5%**Revenue****Operating Profit****Net Profit****Fixed Assets****Return On Equity (ROE)****Current Ratio****Earning Per Share (EPS)****Net Asset Per Share****Workforce**

Key Milestones

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

1990/91

- ▶ Commencing of operations of Textured Soy Protein (TSP) under the name Soy Foods (Pvt) Ltd.

1991/92

- ▶ Company listed under Colombo Stock Exchange (CSE).

2000/01

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

2001/02

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

2002/03

- ▶ Lankasoy won awards at the SLIM Brand Excellence Awards and Sri Lanka Food Processors Association.
 - ▶ Gold Award - 'Turnaround Brand of the Year'.
 - ▶ Silver Award - 'Innovative Brand'.
 - ▶ Bronze Award - 'Brand of the Year'.

2003/04

- ▶ Soy Foods Lanka Limited expanded its operations with the introduction of modern technology to the factory by investing in new machinery.

2006/07

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

2007/08

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

2008/09

- ▶ Soy Foods Lanka PLC was transformed to Convenience Foods (Lanka) PLC as the Company expanded with diverse range of food.
- ▶ Won SLIM 'Brand Excellence' award and 'Productivity and Quality' award from the National Productivity Secretariat (NPS).

2009/10

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

2010/11

- ▶ Certified with ISO 22000, GMP and HACCP.

2011/12

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

2012/13

- ▶ Introduction to State of the Art Machinery for production of variety of flavours and snack range.
- ▶ Won the following at SLIM Brand Excellence Awards.
 - ▶ 'Brand of the Year'.
 - ▶ Gold Award for 'Product Brand of the Year'.
 - ▶ 'Local Brand of the Year'.
 - ▶ Gold Award 'Innovative Brand of the Year'.



2013/14

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

2014/15

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

2015/16

- ▶ Introducing of Tetos snack range.

2016/17

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

2017/18

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

2018/19

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

2019/20

- ▶ Introduction of refined and iodised Sera Salt range.

2020/21

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

2021/22

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

2022/23

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

Performance Highlights

Financial Highlights

Financial Capital	Metric	2022/23	2021/22	% Variance
Profitability				
Revenue	Rs.	8,041,401,062	4,872,432,361	65.0
Results from operating activities	Rs.	920,366,540	459,956,167	100.1
Finance income	Rs.	21,835,598	40,957,256	(46.7)
Finance expense	Rs.	(294,758,455)	(11,679,300)	2,423.8
Profit before tax	Rs.	647,443,683	489,234,123	32.3
Income tax expense	Rs.	(126,938,121)	(103,644,723)	22.5
Profit for the year	Rs.	520,505,562	385,589,400	35.0
Return on capital employed	%	27.1	24.1	3
Profit before tax margin	%	8.1	10.0	(1.9)
Financial Position				
Non current assets	Rs.	746,196,504	740,544,996	0.8
Current assets	Rs.	4,112,423,553	2,417,873,267	70.1
Non current liabilities	Rs.	199,646,518	200,584,013	(0.5)
Current liabilities	Rs.	2,218,643,713	881,409,510	151.7
Capital and reserves	Rs.	2,440,329,826	2,076,424,740	17.5
Current ratio	Times	1.9	2.7	(0.8)
Quick assets ratio	Times	0.8	1.5	(0.7)
Shareholder information				
No of shares in issue	Number	2,750,000	2,750,000	-
Market value per share (closing MPS)	Rs.	1,208.0	1,182.3	2.2
Earnings per share (EPS)	Rs.	189.27	140.21	35.0
Net assets per share	Rs.	8874	755.1	17.5
P/E ratio	Times	6.4	8.4	(2)



Non-Financial Highlights

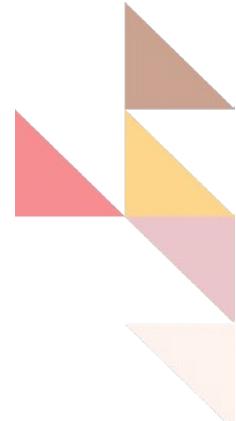
Manufactured Capital	Metric	2022/23	2021/22	% Variance
	Property, plant and equipment (NBV)	Rs. 619,605,790	616,391,944	0.5
	Capital expenditure	Rs. 85,474,614	180,163,951	(52.6)
	Depreciation of PPE	Rs. 82,260,768	58,697,307	40.1
Human Capital	Metric	2022/23	2021/22	% Variance
	Employees	Number 355	329	7.9
	Total employee remuneration	Rs. 630,592,961	528,648,749	19.3
	Female representation	% 12.4	14.6	(2.2)
	Investment in training & development	Rs. 4,085,657	2,279,986	79.2
	Total training hours	Hours 1,236.0	458.5	169.6
	Average training hours/employee	Hours 3.5	1.4	151.8
	No. of injuries	Number 1	2	(50.0)
	Lost days due to injuries	Days 2	10	(80)
Intellectual Capital	Metric	2022/23	2021/22	% Variance
	New products developments (NPDs)	Number 3	10	(70.0)
	Existing product categories	Number 108	105	2.9
	Investment in R&D	Rs. 935,353	524,619	78.3
Social & Relationship Capital	Metric	2022/23	2021/22	% Variance
	Investment in charity & donation	Rs. 569,895	490,143	16.3
	No. of compliance certifications	Number 7	7	-
Natural Capital	Metric	2022/23	2021/22	% Variance
	Electricity	kWh 2,407,670	2,464,775	(2.3)
	Furnace Oil	Liters 123,433	141,811	(13.0)
	Diesel	Liters 85,218	71,673	18.9
	LPG	Kg 24,525	25,500	(3.8)
	Emission	CO ₂ /Kg prod. 0.24	0.24	-
	Water consumption	m ³ 14,895	13,954	6.7

Serā Diriya

CBL "Sera Diriya" is the latest community project launched by CBL Sera team to support consumers in every part of Sri Lanka in different ways. Through this initiative, it is aimed to promote women empowerment, small business development and knowledge forums.

The official launch of the CBL Sera Diriya was held at the Convenience Foods premises. The launch was followed by two workshops to create awareness on cancer prevention and home gardening for the internal employees of the Foods cluster.

As one of the large-scale projects, CBL Sera Diriya joined hands with the National Institute of Health Sciences in Kalutara for the "Surakshitha Purawara" program. The program aims to create awareness on the importance of a safe home, a fruitful garden and a happy family.



New Product Launches



Nutriline Corn & Multigrain Chips 150g

Nutriline Corn & Multigrain Chip is the latest addition to the portfolio. This product is a delicious and nutritious multi grain cereal with a combination of Corn, Rice, Red Cowpea and Green Gram. It is enriched with Vitamin A, D3, Calcium, Iron and Zinc which are vital vitamins and minerals for a healthy person. This product is a Source of Iron, which contains one third of the recommended dietary allowance of Iron per serving (20g). Nutriline Corn & Multigrain Chip has no added colors, flavors, or preservatives.

Lanka Soy - Soya Meat 55g (Curry Taste)

The Lanka Soy – Soya Meat pack in curry taste gives an appealing curry taste from a combination of spices in the curry powder. This was launched as an affordable product to stay relevant to consumer needs in the current economic condition. This is a 55g SKU that is sufficient to feed a family with three for one meal occasion hence it acts as a budget pack for low and mid consumer segments to manage their day-to-day meals.

Lanka Soy - Soya Meat 55g (Chicken Taste)

The Lanka Soy – Soya Meat pack in chicken taste gives an appealing taste from a combination of spices in the curry powder with nature-identical (chicken) flavor. This was launched as an affordable product to stay relevant to consumer needs in the current economic condition. This is a 55g SKU that is sufficient to feed a family with three for one meal occasion hence it acts as a budget pack for low and mid consumer segments to manage their day-to-day meals.

Our Products Range



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

Sera is the gastronomic food brand under the CFL brand portfolio. Within a very short period, Sera was able to penetrate the homes of Sri Lankan consumers and become a household brand name, that stands for quality and trust. With busy lifestyles requiring innovative solutions that deliver trusted convenience, Sera offers a range of functional and easy-to-use food products with guarantee of quality. With the vision to be the aspirational kitchen partner for the convenience-seeking homemaker, Sera continues to extend its portfolio to new categories to address the emerging convenience needs of the consumers without compromising quality. Today Sera portfolio comprises of Culinary aids such as Spices, Coconut milk and Salt whilst offering meal solutions such as Soups and Kottu Kottu offering a whole host of solutions for the family. Venturing into branded packeted spices Sera has managed to become the 3rd largest player in the spices category.





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



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



Key Communication Campaigns

Convenience Foods (Lanka) PLC, has been instrumental in enhancing the brand value of textured soy protein in both the local and global arena, especially Lankasoy being the market leader in the Textured Soy Protein market building trust and credibility over 3 decades of market excellence.

The Company conducts communication events enhancing key and new products - aimed at engaging industry stakeholders in inspiring new product and brand experiences. Mentioned below are some of these strategic and new communication campaigns which are extremely relevant to the market conditions in the current context and in fully capitalizing on the identified opportunities.

Lankasoy Communication Campaign

Soy products offer a convenient and nutritious way to increase protein intake. During recent times where the inflation has a heavy effect on consumer spends for protein intake and Lankasoy is an affordable product to stay relevant to consumer needs in economic condition.

Lankasoy launched a campaign titled "LankaSoy – Rasayai, Protein Gunayai". This was in nature a 360-degree campaign and consists of a plan that focused on reaching the target audience from multiple platforms and channels, combining both traditional marketing and digital marketing channels, infusing within the entire customer's journey. The campaign idea revolved around the fact that 'Lankasoy is enriched with plant-based goodness and is an affordable yet tasty choice for consumer to include in their daily meals'. Events which were part of this campaign included an activation in Radio channels, along with other programs and seasonal events which were area centric. Lankasoy audiences are also reached through various TV, Radio and digital platforms as well as other direct consumer communication activations such as Modern Trade in addition to branded vehicles that are used to further drive Lankasoy propaganda.

Nutriline, as a progressive urban nutrition brand under the CFL portfolio, successfully achieved 138% and 153% of its volume and value growth targets respectively in year 22/23. As a brand which offers both children



Sera Smart Kitchen ProFood Exhibition

and teenagers with its breakfast cereal needs. It offers a brand identity of taste and health benefits enriched with multi-grains, providing affordable goodness for children. The cereals are locally made using Sri Lankan grains and adhere to the highest quality standards. Nutriline cereal serves as a nutritious and convenient breakfast option that appeals to mothers and children. This year, Nutriline further expanded its portfolio by introducing a Corn & Multigrain chips variant, which captures the local corn chips market within the cereal industry.

Despite the widespread impact of price increases on the impulse category, Tetos successfully mitigated these challenges and continued to thrive in the market. This accomplishment was primarily attributed to their ability to find growth opportunities, minimize adverse effects, while maintaining a strong presence. Tetos implemented a new digital based campaign that played a pivotal role in this success. This campaign consists of a brand engaging activation strategy supported by effective sales strategies, point-of-sale materials (POSM), and optimal stock depth. Collectively, these initiatives empowered the brand to excel even during a financially challenging year.

Consumer engagement and promotions

- ▶ Tetos ventured into Cinema Channels, creating visibility and awareness through a well-received digital-led activation at Scope Cinemas.
- ▶ Tetos forged strategic partnerships with youth-led organisations, leveraging sampling initiatives to raise awareness among the youth demographic.
- ▶ Tetos introduced a unique concept, 'Tetos with Dips', showcasing the versatility of the snacks by encouraging consumers to mix and match them with various dips.
- ▶ 'Sera' consistently executed several impactful campaigns to engage with consumers through diverse channels. The 'Sera Smart Kitchen' Mobile Truck conducted below-the-line activations extensively throughout the year, reaching numerous areas.
- ▶ Additionally, the highly successful 'Sera Smart Kitchen' cookery program was broadcasted on a leading TV channel, effectively reaching customers nationwide. In parallel, Sera established partnerships with select radio channels for on-ground regional activations.
- ▶ Sera maintained its focus on targeting the MT customer bases through MT activations conducted in leading supermarket chains as well as digital avenues.
- ▶ Lankasoy - Activation in Radio channels, along with other programs and seasonal events which were area centric.
- ▶ Lankasoy Community Kitchen - Community Kitchen is conducted by "Voice for Voiceless Foundations" and based on donations and volunteer cooking within communities. Lankasoy has played an active role in this community project to provide healthy meals for the needy during Sri Lanka's worst crisis in decades.
- ▶ Nutriline - Implement a cross-modern trade channel-focused education-led wet sampling strategy in collaboration with key brand partnerships.

Our Global Markets by Sales Volumes

Convenience Foods (Lanka) PLC, the leading soy manufacturer in Sri Lanka under the brand name Lankasoy, maintains its prominent position in the industry. With an extensive range of product categories, we continue to meet diverse consumer preferences. Our global presence has expanded, with exports reaching key markets in the Middle East, Europe, USA, Asia, and Australia, contributing significantly to the overall export performance of the CBL Group. We take pride in our achievements and remain committed to delivering exceptional soy products while adapting to the evolving needs of our valued customers both locally and internationally.



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

Achievements and Awards

Sera wins big at Effie Awards

CBL Sera emerged as the top winners at the 2022 Effie Awards Sri Lanka. CBL Sera was named the "Most Effective Brand of the Year," while Convenience Foods Lanka PLC received the title of "Most Effective Marketer of the Year." CBL Sera also achieved the highest number of awards at the event, including Gold in the Packaged Food category, Gold for Media Innovation in Social Media, and Bronze for Youth Product Marketing. The Effie Awards Sri Lanka, now in its 13th year, recognizes leaders in the advertising industry and encourages creative and effective campaigns during challenging times.



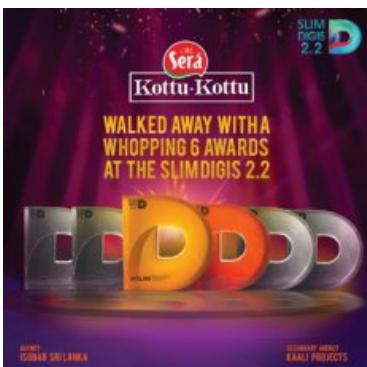
Convenience Foods receives Compliance Award at TAGS Awards 2022

Convenience Foods (Lanka) PLC was awarded a Compliance Award in the Manufacturing Sector (Turnover up to LKR 10 Bn.) at the Institute of Chartered Accountants of Sri Lanka's TAGS Awards 2022 held by CA Sri Lanka.

At the TAGS Awards 2022, CA Sri Lanka honored top corporations, multinationals, small businesses, and non-profit organizations for their insightful and transparent annual reports that met the rising demands of stakeholders, including investors.



Sera Kottu Kottu made history at the SLIM DIGIS 2.2 Awards winning 06 awards for #GrandTheftKottu Sri Lanka's first integrated digital gaming campaign.



CBL Sera, has achieved remarkable success at the SLIM DIGIS 2.2. The campaign has secured a total of six prestigious awards.

- ▶ Gold Award for Digital in Food & Beverage.
- ▶ Silver Awards for Best Use of Experiential Digital Marketing, Small Budget Impact, Cross Digital Platform Integration, and Gaming, Gamification, and Use of E-Sports.
- ▶ Bronze Award for Best Digital Marketing Innovation.



Sera Kottu Kottu wins 22nd Dragons of Asia award

Sera Kottu-Kottu makes history as the first brand in Sri Lanka to win an APAC Award for Best Innovative Idea or Concept in Gaming, at the 2022 Dragons of Asia, for the campaign #GrandTheftKottu, which was first of its kind.



PROMISE Sustainability Awards 2023

Convenience Foods (Lanka) PLC has been honored with the prestigious PROMISE Sustainability Awards 2023. The Prevention of Marine Litter Lakshadweep Sea (PROMISE) program is supported by the European Union (EU) under the Switch Asia Program. The National Cleaner Production Center is the Sri Lankan partner of this implementation. Members were selected from the FMCGs and tourism sectors in Sri Lanka, India, and Maldives. The PROMISE Awards were held within these three countries to recognize and honor companies for their sustainable initiatives and implementation of Resource Efficiency and Cleaner Production Concepts (RECP).

Chairman's Message

"We express our sincere appreciation to our committed team, loyal customers, and esteemed stakeholders for their unwavering support. Through their dedication, we have achieved remarkable success and remained resilient during challenging times. With confidence, we look forward to continuing to deliver meaningful value to our business and the communities we serve"



I welcome you to the 32nd Annual General Meeting of Convenience Foods (Lanka) PLC (CFL), and place before you the Annual Report, which includes the Audited Financial Statements for the financial year ended on 31st March 2023.

In the year 2022/2023, our country faced unprecedented economic challenges and uncertainties due to shortage of foreign exchange and liquidity. There were scarcities of essential materials for our production and the soaring inflation rates also impacted our suppliers cost and eventually ours. The economic conditions of the country was not at all conducive and it was very vulnerable. The company through careful planning was able to remain committed to long term stability and growth.

I am glad to mention that we achieved the highest revenue during the year under review with the co-operation and determination of my colleagues and all other stakeholders, who rallied around us to sustain our business. Our operational teams worked tirelessly to overcome the challenges and ensured that our precious customers were provided with nutritious and quality products. CFL also took initiatives to support employees and business partners to overcome their difficulties during their time of need. CFL has achieved remarkable growth despite facing various external threats. The revenue recorded an increase of 65%

in sales value reaching from Rs. 4,872.4 Mn to Rs. 8,041.4 Mn compared to last year. This growth was mainly driven by price increases due to inflation in the country during the period of review. Considering category volume growth, there was an increase of 24% with Sera Soup. However, there was an 8% decrease in Sera Spices. Soya recorded a 6% decrease, mainly due to the reduced bulk sale.

Gross profit showed an increase of 62.4% attributed to higher sales, even though there were significant cost increases in materials, factory costs, government levies and taxes, and holding a large quantity of stocks, as we experienced difficulties in procuring our requirement. Administrative expenses increased by 31.4%, primarily due to inflationary effect, while selling and distribution costs rose by 41.6%.

As we reflect on the past year, we take immense pride in celebrating the remarkable achievements and significant milestones of our company. Despite encountering various external challenges and adverse developments, we have experienced an exceptional surge in financial performance. The resounding success can be attributed to the growing popularity of our diverse product portfolio, which has deeply resonated with consumers and gained widespread acceptance in households across the country. Such remarkable financial performance owes itself to the

unwavering commitment and dedication of our exceptional team. Their hard work and determination have been instrumental in driving our success and propelling our company to new heights. This outstanding performance is further exemplified by our highest-ever Operating Profit of Rs. 920.4 Mn and a Profit after tax of Rs. 520.5 Mn. Our Return on Equity (ROE) has also seen a commendable increase from the previous period 18.6% to 21.3%. As an organisation, our steadfast focus remains on ensuring financial stability and delivering substantial value to our esteemed shareholders. The impressive Earnings per Share (EPS) of Rs. 189.27 for this year, compared to the previous year value of Rs. 140.21, underscores the overall strength.

During the challenging times, we continuously focused in providing excellent customer service. We did not stop investing in employee training to improve their skills and competence. We help communities through our CSR programmes, in order to make a positive impact on society. Environmental sustainability and contributing to a low-carbon economy are essential aspects of the business through our engagement with ESG initiatives. As a company, we are committed to sustainability, social responsibility and transparency, and to be a role model in the industry, thus creating meaningful value for our stakeholders.

**32**

Years' History

**Rs. 887.4**

Net Asset Per Share

**65.0%**

Revenue Growth

Our sustainability is established through our strategic planning and being able to adapt to any situation. The company has a strong relationship with all stakeholders, together we strive to maintain our leadership which would assist in our future endeavours, and eventually being able to contribute to Sri Lankan economy.

The Board and subcommittees diligently fulfill their duties to ensure good governance and transparency, a key success of our company. Our financial statements comply with regulatory requirements, and we received a compliance award at the 57th Annual Reports Awards 2022. Enhancing reporting and stakeholder engagement is crucial, and our corporate culture upholds the highest standards. Staying at the industry forefront, we align with evolving industry practices to foster trust, accountability, and sustainable growth, creating value for shareholders and communities we serve.

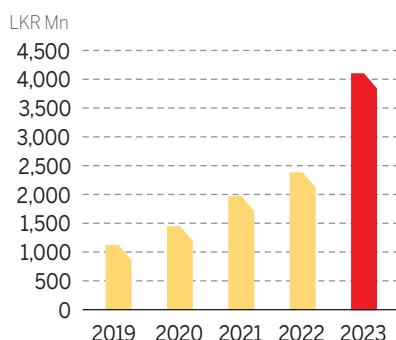
I must congratulate, the Board of Directors and all at CFL, including the workforce and without their dedication and corporation, we will not have achieved our success.

I also extend my heartfelt gratitude to Directors, the dedicated CFL team, esteemed shareholders, loyal customers, and valued stakeholders. Your invaluable contribution have led to the remarkable growth of our Company. We strive to provide nutritional excellence and progress continuously with our collective efforts and support. Together, we will create a brighter and more prosperous future. Thank you for being an integral part of our journey.

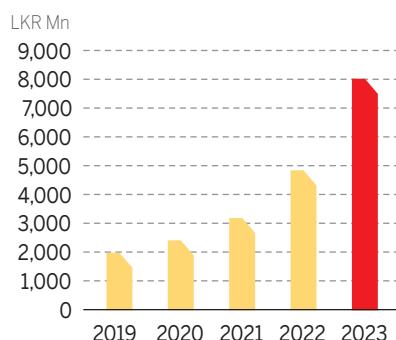
R.S.A. Wickramasingha
The Chairman

31st July 2023

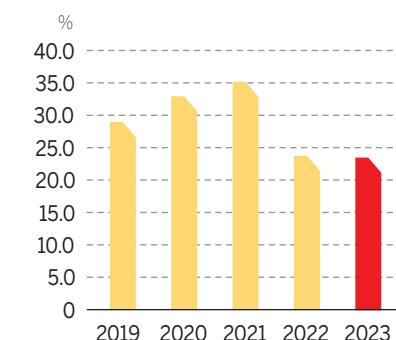
Current Assets



Revenue



GP Margin



Managing Director's Message

"In the face of a challenging year, we flexibly adjusted our strategies to overcome the economic downturn and successfully navigated through uncertain times. Despite the obstacles encountered, I am delighted to announce that we have achieved the highest top-line and bottom-line milestone ever recorded in our company's history."



Dear Shareholders,

I am honoured to present to you the Annual Report of Convenience Foods (Lanka) PLC (CFL) and the financials for the year ending 31st March 2023. This year has put our resilience to the test as we confronted a multitude of challenging circumstances, necessitating strength, agility, and resilience in our operations. The theme selected for this year's report is 'Strong. Agile. Resilient.' resonating our capacity to conquer challenges and emerge even stronger.

As a food producer, our commitment to adding meaningful value to households across the country remains unwavering. We recognize the profound trust placed on our products by individuals and families, and hence have taken decisive action to ensure that our offerings continue to reach consumers nationwide with consistent supply. Despite the prevailing economic downturn, the depreciation of the Sri Lankan rupee against the dollar, inflationary pressures, and the significant increase in raw material costs, we have overcome challenges presented to us, with unwavering determination, agility, and resilience, emerging as a stronger and more adaptable organization.

As a key player within the CBL Group, we recognize our pivotal role in the socio-economic progress of our nation. We remained steadfast in our commitment to fostering resilience and contributing to the overall development of our society. Our expansion into new markets and product diversification

initiatives enabled us to navigate the economic downturn effectively and capitalize on emerging opportunities.

Challenges Faced

The economic downturn brought forth a range of difficulties, including declining consumer purchasing power, increased market volatility, and rising operational costs. These factors put immense pressure on our operations and necessitated strategic decision-making to maintain our competitive edge. We proactively adapted our business strategies to mitigate the impact of the economic downturn, streamline processes, and optimize resource allocation.

Foreign exchange fluctuations and the depreciation of the Sri Lankan Rupee posed additional challenges. The importation of raw materials has become more challenging due to the adverse effects of currency depreciation, causing significant disruptions to the supply chain. Our strong relationships with local and international institutions enabled us to secure a steady flow of imported raw materials, ensuring uninterrupted production and ample stock availability to our valued consumers.

Looking ahead, we are confident in our ability to tackle emerging threats and explore new prospects. Armed with valuable insights gained from this challenging year, we will continue to adapt, innovate, and drive positive change. By adhering to our core values and purpose-driven practices, we will rise above the economic downturn, setting new

benchmarks for excellence.

Strategy and Execution

In the current year, we have embarked on a range of strategic initiatives to reinforce our operations and drive performance. With a dedicated and capable team, we are committed to executing an ambitious agenda that aligns with our strategic objectives. Our focus has been on product innovation and expansion, investing in research and development to bring innovative and high-quality products to the market. This approach has allowed us to meet evolving consumer preferences and market trends while providing increased value and options to our customers.

We have also prioritized operational efficiency by implementing technology solutions, streamlining processes, and equipping our field sales teams with mobile devices to enhance productivity. Additionally, we have targeted new markets and channels for expansion, concentrating on Modern Trade and HoReCa channels to maximize our reach and brand visibility. Our marketing and branding teams have played a crucial role in building our brand reputation through targeted campaigns, emphasizing high quality, ethical practices, and consumer-centricity.

Financial Overview

The Company's top line increased by 65% from the previous year. With strong operational strategies in place to mitigate risk and support performance, the Company was able to face the unprecedented challenges of

**23.8%**

Gross Profit Margin

**11.4%**

Operating profit

**6.5%**

Net profit margin

2022/23. Costs were efficiently controlled to a level where we were able to close the year with a commendable performance recording an operating profit of Rs. 920.4 Mn and Profit After Tax of Rs. 520.5 Mn. These figures are testament to the Company's product portfolio and the strong sales and marketing efforts used to ensure the brand remains top of mind among its consumers.

A decrease in short-term investment was witnessed, which was due to the liquidation of fixed deposits held by the Company in order to facilitate the expansion of the working capital requirement of the Company. A key outcome is expected through our operational strategy to turn around this situation when current inventories are getting converted to cash. The Company ROCE increased to 27.1% from 24.1% recorded in the preceding year while the increased ROE stood at 21.3% from 18.6% as recorded in the previous year.

Amidst the country's struggling economy, we value the trust and confidence our shareholders have placed in us. The Company has announced a first and final dividend of Rs. 4.70 per share for the financial year ended 2022/23, which will be distributed after the AGM. The EPS has increased by 35% to Rs. 189.27 per share, from Rs. 140.21 in the previous year.

Product Development Overview

At CFL, we are dedicated to continuous innovation and bringing exciting new products to the market. Our customer-centric approach to new product development allows us to stay ahead in the competitive food industry while meeting evolving consumer demands. We begin by monitoring market trends and consumer insights to identify opportunities for new product development. Our passionate teams collaborate on ideation, and our research and development team ensure viability and scalability.

Brand Performance

Lanka Soy

Demonstrating a record-breaking financial year, Lankasoy once again surpassed all expectations, solidifying its position far ahead of competitors with an impressive market share of over +40 %.

Lankasoy's latest campaign, "Lanka Soy – Rasayai, Protein Gunayai," is a testament to the brand's ability to adapt and thrive in a volatile market. By highlighting the plant-based goodness and affordability of Lankasoy, the campaign appeals to consumers on a personal level. It emphasizes the brand's commitment to providing nutritious and delicious options for daily meals. Through authentic messaging, Lankasoy generates a genuine connection with its audience, empowering them to make healthier choices without sacrificing taste. This year's campaign celebrates the harmonious blend of flavor and nourishment, inviting individuals from all backgrounds to embrace Lankasoy as their preferred choice.

Nutriline

Nutriline, a progressive urban nutrition brand in the company portfolio, has achieved exceptional success in the year, surpassing volume, and value targets by an impressive 138% and 153% respectively. With a focus on providing wholesome breakfast cereals for children and teenagers, Nutriline offers a brand identity that combines taste and health benefits through its range of multi-grain offerings. Made with locally sourced Sri Lankan grains and adhering to the highest quality standards, Nutriline cereals have become a trusted and affordable choice for mothers, serving as a nutritious and convenient breakfast option. Furthermore, the introduction of the Corn and Multigrain chips variant has enabled Nutriline to enter the local Corn chips market, showcasing the brand's commitment to innovation and meeting the diverse preferences of consumers within the cereal industry.

Sera

Sera brand's outstanding performance has been recognized through prestigious awards, including being named the "Most Effective Brand of the Year" at the Effie Awards and securing six prestigious accolades at the SLIM DIGIS 2.2. Notably, Sera's Kottu Kottu product has also garnered attention, winning the esteemed 22nd Dragons of Asia award. With a strong market presence, numerous accolades, and a commitment to quality, Sera Spices continues to impress consumers and solidify its position as a leader in the industry.

Tetos

Despite facing the widespread impact of price increases within the impulse category, Tetos demonstrated exceptional resilience and continued to thrive in the market. This impressive achievement can be largely attributed to their ability factor to identify growth opportunities, mitigate adverse effects, and maintain a strong market presence. One key factor contributing to their success was the implementation of a new digital-based campaign, which played a crucial role in driving their performance. This campaign incorporated a strategic and engaging approach, supported by effective sales strategies and eye-catching point-of-sale materials (POSM). By combining these initiatives, Tetos successfully navigated through a financially challenging year, surpassing expectations and solidifying their position in the market.

Consumer Focus Overview

At CFL, we prioritize our customers by adopting a consumer-centric approach. We produce a diverse range of products, including Soya meat, Cereals, Spices, and Snacks, with the aim of delivering outstanding quality and delightful experiences. Our approach begins with a deep understanding of our target audience. Through market research and consumer feedback, we gain insights into their preferences and needs, developing innovative products, upholding our commitment to quality.

We value and encourage consumer feedback, using it to refine and enhance our offerings. We also focus on educating consumers about our products, empowering them to make informed choices. Seamless customer experiences are crucial to us. We ensure accessibility, convenience, and reliable distribution channels to make our products easily available. At CFL, we see our customers as partners and strive to surpass their expectations. Our commitment

Managing Director's Message

to a consumer-centric approach builds trust, fosters loyalty, and promotes a shared journey focused on nourishing lives.

Human Resource Overview

Our employees are the backbone of our company's success. This year, we continue to prioritize human resource development to ensure a highly capable and motivated workforce. We focus on talent acquisition and retention, attracting top professionals who align with our values. Our comprehensive training programs empower our employees to excel in their roles and contribute to our organization's growth. Our teams demonstrated remarkable resilience and determination, surmounting numerous obstacles throughout the year. The economic conditions presented significant hurdles that tested our mettle. As we navigated through this tumultuous period, our unwavering commitment to excellence propelled us forward.

Performance management processes are enhanced to align with our strategic objectives, promoting accountability and excellence. We prioritize employee well-being and engagement through initiatives such as mental health support, wellness programs, and engagement activities. Diversity and inclusion remain key values, fostering an inclusive workplace where everyone can thrive. Our exceptional team's dedication is vital to our success. Thank you to our talented employees for your continued support as we strive for excellence in human resource development.

Corporate Citizenship Overview

Our performance on sustainability is as important as our financial performance and are monitored, reviewed, and actioned monthly. Our Environmental, Social, and Governance (ESG) framework is the cornerstone of CFL's commitment to socially responsible, ethical, and sustainable business practices across our company. With a focus on transparency and accountability, we prioritize ethical conduct and sound governance to effectively manage our business operation. We are aware of the impact of the food manufacturing sector's supply chain and resource depletion. We take conscious measures to minimize negative impacts. The Company pursues its commitment towards sustainability through balancing economic success, environmental preservation, and social responsibility.

CFL has demonstrated a strong commitment to ESG initiatives. During the year, the following key projects have been conducted. This includes PET bottle collection and recycling programs, the 'Haritha Piyawara' school wrapper and PET collection project aimed at increasing recycling rates and promoting recycling awareness. The company has also implemented paper-saving initiatives and actively participates in tree planting for biodiversity conservation. We have also carried out Brand-led CSR projects like 'Sera Diriya', 'Sera Smart Kitchen', and 'Lanka Soy Community Kitchen' along with contributions to community programs which showcase CFL's dedication to social responsibility. Employee well-being is prioritized through programs such as dental clinics, home gardening, safety awareness initiatives, consultancy, programs on mental wellbeing, fostering physical, mental, emotional, and financial wellness etc. These initiatives highlight CFL's strong focus on ESG and sustainable practices, demonstrating the commitment to creating a better future. Our commitment is further reinforced by adhering to reporting standards that enhance transparency, accountability, governance, and sustainability for stakeholders involved.

The leadership team at the top is committed to positively influencing the management team and employees towards achieving high standards of integrity, business ethics, transparency and ethical behaviour. To sustain their commitment, CFL has put in place appropriate performance measures and reporting systems to monitor performance against metrics and compliance with the relevant policies, procedures, and controls.

Future Outlook

CFL continued to outperform the industry and posted very strong results despite the formidable challenges witnessed during the year. As we reflect on our achievements and look ahead with anticipation, CFL is poised for a future of growth, innovation, and deliverables. Committed to our core values of Caring, Quality, Innovation, and Integrity, we are ready to navigate the changing landscape of the food industry. Our strong dedication to product excellence and customer-centricity will drive us to introduce new offerings that cater to evolving tastes and preferences.

Embracing digital transformation, we will leverage cutting-edge technologies and digital solutions to enhance operational

efficiency and deliver an exceptional customer experience. Sustainability is a cornerstone of our vision, and we are committed to reducing our environmental footprint and promoting responsible practices throughout our value chain. By actively engaging in initiatives that empower local communities and support education, we aim to create a positive and lasting social impact.

Looking ahead, we will forge strategic partnerships, strengthen existing relationships, and explore untapped markets. Through collaboration and teamwork, we will explore new opportunities and expand our global footprint. With a passionate and expert team, we are prepared to navigate these challenges and embrace a future of continued growth and innovation.

Appreciation

We express our thanks to our shareholders for their continued faith in our vision and investment. To our loyal customers, we are grateful for your trust and loyalty, and we remain committed to delivering high-quality products and exceptional experiences. We are grateful for our dedicated employees, whose commitment to excellence and teamwork has been instrumental in driving our growth. Our sincere appreciation also goes to our suppliers and partners for their collaboration and shared commitment to excellence.

Finally, we extend our gratitude to the communities in which we operate for their warm embrace and support. Together, we will continue to achieve new heights of success and create a future filled with growth, prosperity, and shared success.



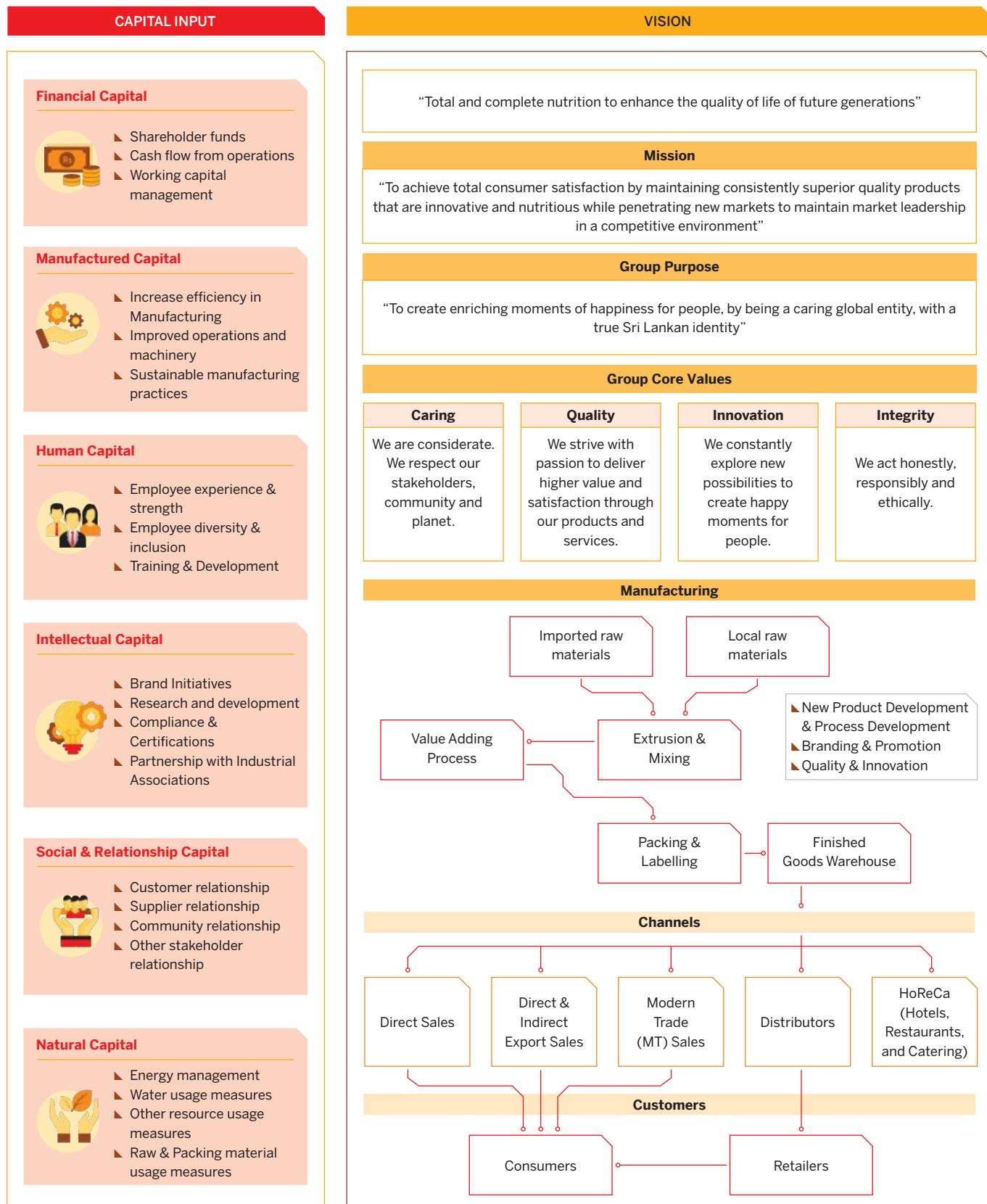
E.T. De Zoysa
Managing Director

31st July 2023

Navigating challenges and seizing opportunities



Our Value Creation Model



OUTPUT	OUTCOME	APPLICABLE SDGs
<p>Financial Capital</p>  <ul style="list-style-type: none"> Revenue: Rs. 8,041.4 Mn Profit after tax: Rs. 520.5 Mn Earnings per share Rs. 189.27 	<p>Shareholders</p>  <p>Sustainable shareholder returns commensurate with the risk undertaken</p> <p>(pages 28 to 29)</p>	<p>Financial Capital</p> 
<p>Manufactured Capital</p>  <ul style="list-style-type: none"> Property, plant and equipment: Rs. 619.6 Mn Capital expenditure : Rs. 85.5 Mn 	<p>Customers</p>  <p>Access to innovative, high-quality products which are manufactured through sustainable practices coupled with excellent customer service</p> <p>(pages 28 to 29)</p>	<p>Manufactured Capital</p> 
<p>Human Capital</p>  <ul style="list-style-type: none"> Remuneration and Post Employment Benefits: Rs. 671.2 Mn Staff Welfare: Rs. 75.4 Mn 	<p>Employees</p>  <p>Attractive rewards and opportunities for skill and career development in a conducive, dynamic and inclusive environment</p> <p>(pages 28 to 29)</p>	<p>Human Capital</p> 
<p>Intellectual Capital</p>  <ul style="list-style-type: none"> Investment in Research & Development: 0.9 Mn New products launched (NPD's) : 3 new product categories 	<p>Suppliers & Business Partners</p>  <p>Business growth driven by continued demand for products/ services and Knowhow</p> <p>(pages 28 to 29)</p>	<p>Intellectual Capital</p> 
<p>Social & Relationship Capital</p>  <ul style="list-style-type: none"> Community initiatives Compliance Certifications 	<p>Government & Regulatory Bodies</p>  <p>Contribute towards job creation, socio-economic growth and government revenue through tax contribution</p> <p>(pages 28 to 29)</p>	<p>Social & Relationship Capital</p> 
<p>Natural Capital</p>  <ul style="list-style-type: none"> Electricity usage: 2.4 Mn kWh Water Withdrawal: No. of units 14,985 m3 Co2 emission : 0.24 Co2/Kg prod. Diesel: Liters 85,218 Furnace Oil: Liters 123,433 LPG: Kg 24,525 	<p>Communities</p>  <p>Fulfilment of community needs leading to an improved standard of living</p> <p>(pages 28 to 29)</p>	<p>Natural Capital</p> 

Stakeholder Engagement

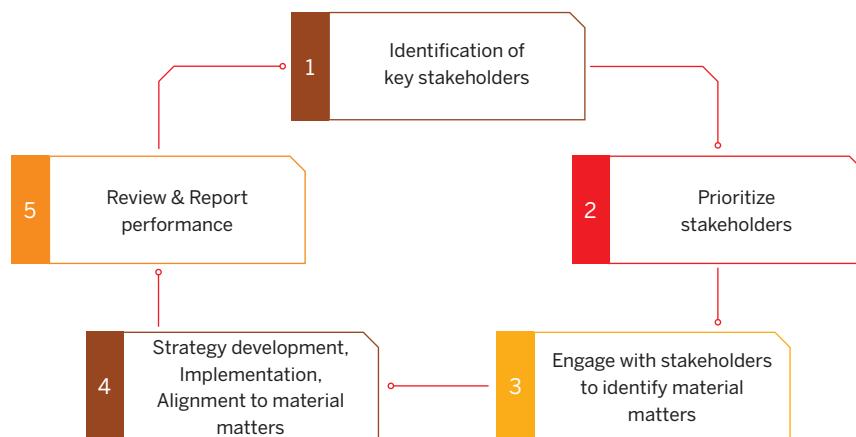


Key Stakeholder Groups

CFL acknowledges that stakeholders significantly impact or are impacted by its economic, environmental, and social performance. Through an internally driven process, CFL identifies its stakeholders based on the risks, opportunities, and alignment with its business performance, strategy execution, and strategic objectives. Key stakeholder groups include shareholders, employees, customers, suppliers, business partners, government and regulatory bodies, and the wider communities. CFL values effective engagement with all these groups and understands that meaningful business benefits can be realized by involving them. Continuous engagement efforts are undertaken by CFL to comprehend the priorities and concerns of stakeholders through various channels and mechanisms.

Stakeholder Engagement Process

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



Stakeholder Identification and Prioritization

In order to prioritize our stakeholders effectively, CFL assesses their power and interest levels. As a significant step forward, CFL will disclose the priorities identified by our stakeholders in this year's annual report. CFL will openly communicate and share the key concerns and areas of importance as indicated by our stakeholders.



Stakeholder key concerns and response

	Shareholders	Employees	Customers	Suppliers and business partners	Government and Regulatory board	Communities
Key concerns	Focus on achieving sustainable returns and financial stability, ensuring compliance with regulations and industry standards, promoting transparency in its operations, and fostering the creation of wealth.	Emphasis on job security and job satisfaction, recognizing that these factors are essential for a thriving workforce. Rewards and recognition are given importance to acknowledge and appreciate the contributions of employees. Nurturing a positive and supportive workplace culture.	Quality products, value addition, and customer satisfaction are paramount. Reliable, high-quality products that meet the expectations to attract and retain customers, build trust, and drive long-term growth.	Building strong partnerships and collaborating effectively where suppliers and business partners can optimize operations, expand their reach, and achieve long-term growth and success in the market.	Compliance with relevant laws and regulations and practicing good corporate governance are essential. Adhering to applicable laws and regulations to demonstrate the commitment to ethical conduct and responsible operations. Implementing good corporate practices promotes transparency, accountability, and sound decision-making.	Mitigating social and environmental damages, making corporate contributions to the community, and reducing resource consumption through effective planning and monitoring. Actively addressing social and environmental impacts, commitment to sustainability. Create positive social and environmental impacts, and contribute to a more sustainable future.
Our response and outcome	CFL is committed to delivering a sustainable strategy that meets the expectations of its shareholders. This includes strict adherence to laws and regulations, fulfilling information expectations in a timely manner, and ensuring transparency in aspects of our operations.	CFL places a strong emphasis on providing fair pay and comprehensive benefits. To increase employee engagement through various activities, fostering a sense of belonging and commitment among its workforce. CFL is dedicated to promoting diversity and inclusion. CFL prioritizes training and professional development opportunities to enhance skills and advance in careers.	Enhance quality parameters and the product development process, focusing on customer needs and aligning product development accordingly. By closely following customer satisfaction metrics and conducting regular surveys, the Company gains insights and feedback to improve the offerings. Customer-centric approach ensures that products meet customer expectations and result in higher levels of satisfaction.	Timely settlements and maintain strong relationships with suppliers and business partners. Uphold trust while maintaining integrity in business dealings promoting transparency, ethical practices, and long-term partnerships. By prioritizing these aspects, businesses can strengthen the supplier and partner network, ensuring mutual success.	Timely submission of returns, along with accuracy and completeness. Fulfilling tax obligations and making timely payments and the commitment to compliance. Follow directives and circulars appropriately to ensure adherence to regulatory guidelines. Promote transparency, minimize risks, and uphold the legal responsibilities, mitigate potential penalties, and foster a reputation of integrity and good governance.	Implementing waste and paper recycling adopting eco-friendly practices, and prioritizing energy savings. Contribute to environmental sustainability and resource conservation. Commitment to reducing the ecological footprint. Conserve resources and reduce greenhouse gas emissions. Demonstrate environmental stewardship, inspire positive change, and contribute to a greener and sustainable future.
Stakeholder engagement method	Annual General Meeting, Publication of Interim Financial Statements, Announcements at CSE and media releases, Dialogue with investors and analysts.	Intranet for HR-related matters, Meetings and email communications, Events, Training and development of employee, Employee survey initiatives, Structured career development programs.	Corporate website, Media campaigns/advertisements, Social media, Interactions with employees.	Business meetings, Negotiations, Awareness creation and engagement of suppliers.	Return submission, Directives and circulars, Meeting/ discussion with Government and Regulators.	Environmental impact assessment and mitigation initiatives, Community projects, Public, Social media and corporate website.

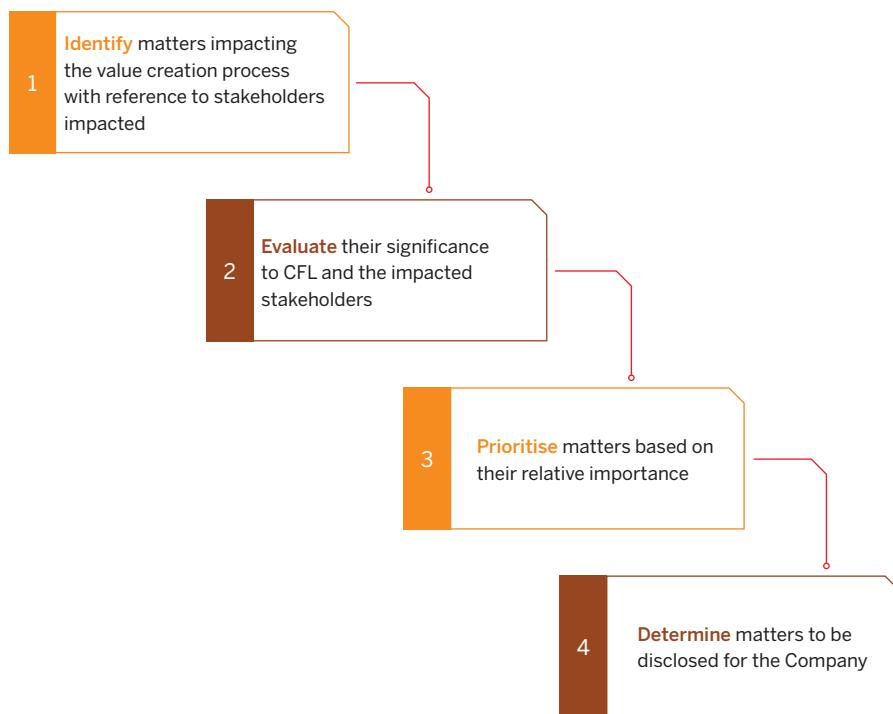
Identifying Material Matters



Materiality Assessment Process

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

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



Materiality Assessment

We apply the principle of materiality to evaluate our strategic priorities and assess the significant matters included in sustainability. In the 2022/23 period, we enhanced our methodology to determine and prioritize the material topics that hold the utmost importance for our company and stakeholders. The importance of each material topic, both internally and externally, is periodically determined and validated. We prioritize these identified material matters based on their significance to stakeholders and their impact on CFL's economic, environmental, and social aspects.

Material matter	Key Actions/Initiatives	Progress	UNSDG	Link to capitals/section
1. Sustainable Financial Performance Generation of sustainable financial performance Impact - Critical	Risk Management process is followed to mitigate the impact on performance. Rewards are linked on variable performance-based KPIs.	Implemented Implemented		For 2022/23 performance review, please refer to Financial capital on pages 43-45.
Risk of high volatility in shareholder return in the current business environment Guiding GRI Principle: - 201-1	Cost structure changes to have more variable cost lines.	Ongoing		
2. Sustainable Manufacturing Methods Development of sustainable manufacturing methods Impact - Significant	Economically sound processes by minimizing negative environmental impacts while conserving energy and natural resources.	Ongoing		For 2022/23 performance review, please refer to Manufactured capital on pages 46-48 & Natural capital on pages 69-72.
Minimizing negative environmental impacts from business activities. Guiding GRI Principle: 302-1, 303-1/2/5, 305-1/2, 306-2	Practicing the 3R concept to optimize material usage and other resources through waste reduction.	Implemented		
3. Diverse, Employee Health & Engagement Availability of an increasingly engaged, diverse and capable workforce Impact - High	Equal opportunity employer and transparent recruitment policies.	Implemented		For 2022/23 performance review, please refer to Human capital on pages 49-57.
Mitigate challenges of workforce capabilities Guiding GRI principle: - 401-2, 403-1/3/5/6/9, 405-1, 408-1, 409-1	Health and safe working environment.	Implemented		
	Fair performance management system.	Implemented		
4. Brand Building and Certification Following customer trends, changing patterns and benchmark our products against international brands Impact - Critical	Lankasoy being the market leader continued to dominate the category by driving key brand values.	Ongoing		For 2022/23 performance review, please refer Intellectual capital on pages 58-61.
Ability to servicing the customers' needs and create value Guiding GRI Principle: - 417-1, 418-1	Compliance and quality certifications.	Implemented		

Materiality Assessment

Material matter	Key Actions/Initiatives	Progress	UNSDG	Link to capitals/section
5. Customer Expectation Dependent on garnering a wide customer base by offering competitive offers to achieve customer requirements - Critical Ability to improve customer satisfaction and create brand loyalty Guiding GRI Principle: - 416-1, 418-1	Customer complaints handling process. Customer relationship enhancing activities.	Implemented Ongoing		For 2022/23 performance review, please refer to Social and Relationship capital on pages 62-68.
6. Sound Corporate Governance, Internal Controls and Risk Management Availability of sound corporate governance, internal controls and risk management practices Impact - Significant Mitigating impacts on reputational risk and financial impact Guiding GRI principle: 2-12	Risk Management Process. Corporate Governance Best Practices. Review of design and operational effectiveness of internal controls.	Implemented Implemented Implemented		For 2022/23 performance review, please refer to Corporate Governance on pages 76-97, Internal control and risk management on pages 33-36.
7. Community Involvement Adaptation of strategic approach towards sustainability and strives to embed the principles of sustainability into its strategic agenda and daily operations Impact - High Ability to recognize the organisation as a socially responsible entity Guiding GRI Principle: - 413-1	Building better nutrition practices. Empowering communities. Greening our business.	Ongoing Ongoing Ongoing		For 2022/23 performance review, please refer to Social and Relationship capital on pages 62-68.
8. Product Quality and Innovation Creation of a Centre of innovation and greater balance in its product portfolio with food quality and certification Impact - Significant Ability to meet customer expectations for quality standards and food safety. Guiding GRI Principle: - 417-1	Products are labelled responsibly, in a transparent and comprehensible manner. Certifications to ensure the products meet the quality and food safety.	Implemented Implemented		For 2022/23 performance review refer to Intellectual capital on pages 58-61 and Social and Relationship capital on pages 62-68.

Internal Controls and Risk Management

Internal controls

The Board and Management Committee have implemented necessary measures for risk, control, and compliance, ensuring the company has appropriate internal control procedures. Detailed information about these procedures are available on page 76. In the 2022/23 period, we further strengthened our Internal Control process and continue to engage outsourced internal audit expertise under the guidance of the Group's internal audit function. This allowed for a comprehensive review of the organization's internal controls design, operating effectiveness, and segregation of duties.

Risk Management

Our risk management approach is explained in this section as doing business inherently involves taking risks. By seeking to balance the risks, we strive to be a successful and respected Company. Hence, CFL is following a robust risk management process that ensures a culture of proactive identification and mitigation of key risks relevant to its business operations. Risk management is an essential element of our corporate governance and strategy development. Therefore, we continuously strive to foster a high awareness of business risks and internal control to provide transparency in our processes and operations.

CFL has encountered various challenges arising from both internal and external environments, necessitating a consistent evaluation and management of significant risks. To meet stakeholder expectations, it has become crucial to identify key risks, implement appropriate control measures, and establish procedures to manage them within acceptable levels of tolerance. Our risk management process follows a standardized, holistic, and integrated approach. It involves integrating risk into the organizational culture and defining clear roles and responsibilities for risk management. Key risks at the company level are identified, analyzed, evaluated, and documented in a risk register, considering their impact and likelihood. Subsequently, risk response plans are developed, and a robust monitoring and reporting mechanism is established.

The responsibility for managing risks associated with our activities, as well as establishing and maintaining effective risk management and control systems, lies with the Board and Management Committee. The risk management process entails the systematic application of policies, procedures, and practices to effectively manage risks. The Risk Management process consists of the following main components and is briefly described below:

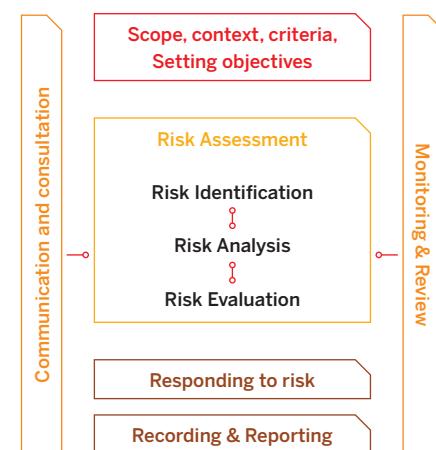
- ▶ **Scope, context, criteria and setting objectives** - The scope, context, criteria involve defining the scope of the process and understanding the external and internal context and specifying the amount and type of risk that it may or may not take relative to its objectives.
- ▶ **Risk assessment** - Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.
- ▶ **Risk identification** - Risk identification is to find, recognize and describe risk.
- ▶ **Risk analysis** - Detailed consideration of uncertainties, risk sources, consequences, likelihoods, events, scenarios, controls and their effectiveness.

Risk Management Process

- ▶ **Risk evaluation** - involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.
- ▶ **Responding to risk** - the purpose is to select and implement options for addressing risk and risk treatment can also introduce new risks that need to be managed.
- ▶ **Monitoring and review** - monitoring and review are to assure and improve the quality and effectiveness of process design, implementation and outcomes.

The identification of key risks involves close collaboration with departmental heads, who act as risk owners, responsible for identifying and reporting risks within their respective business processes. These risks are then evaluated and assessed by

risk champions, who document them in a key risk register along with corresponding treatment and response plans. Risk management is a collective responsibility across the organization, including the Board of Directors, who establish policies and procedures to manage risks. The risk champions' identified key risks undergo review at the cluster review committee level and the CFL Board Audit Committee. The Board, with the support of the audit committee, oversees the review of significant risks and their mitigation plans. The Group internal audit department continuously reviews and assesses material risks and their mitigation plans, providing observation reports to the CFL Board Audit Committee.

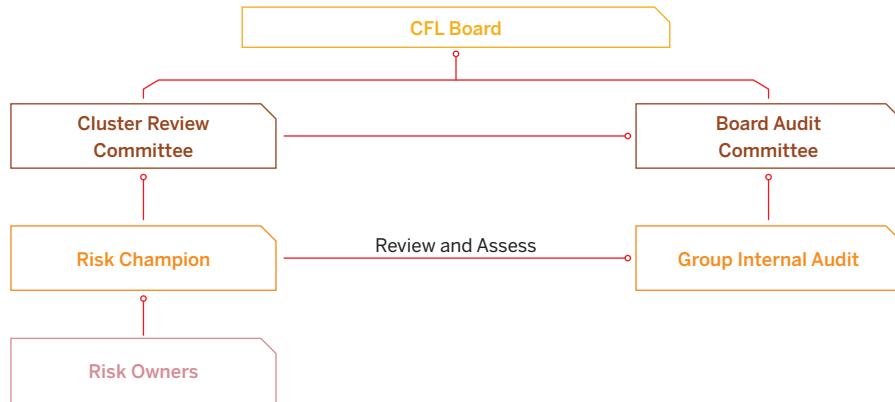


Risk Management in 2022/23

Our organization has been diligent in maintaining a risk register. We have identified various risk scenarios and assigned priority to them based on the input of responsible management teams and subject matter experts. Subsequently, we have developed appropriate mitigating measures to address these risks. We view risk assessment and mitigation as an ongoing process, recognizing that the risk landscape is constantly changing, encompassing immediate, near-term, and long-term challenges. For information related to financial risk, Please refer Note 35 of the financial statements.

Internal Controls and Risk Management

Risk Management Reporting Structure at CFL



Principal Risks and Mitigation Plans

No	Risk Exposure	Description	Risk Mitigation
1	Quality Risk	<ul style="list-style-type: none"> ▶ Potential Quality issues in products. 	<ul style="list-style-type: none"> ▶ Adequate quality controls check to assure quality throughout our process. ▶ Continuous quality management and assurance programs. ▶ Third-party, independent quality checks and certifications.
2	Reputational Risk	<ul style="list-style-type: none"> ▶ Potential losses due to damages to our credibility as a trusted brand in Sri Lanka. 	<ul style="list-style-type: none"> ▶ Maintenance of the highest ethical standards at all times in business activities. ▶ Prompt follow-up actions on complaints and suggestions.
3	Regulatory & Compliance Risk	<ul style="list-style-type: none"> ▶ Losses and fines arising due to violations or non-conformance with laws and regulations. This includes internal policies & procedures as well. 	<ul style="list-style-type: none"> ▶ Group regulatory affairs division supports individual companies in compliance with existing and new laws and regulations. ▶ Legal advisers are sorted from legal experts. ▶ Finance and Non-finance compliance requirements are monitored on a regular basis.
4	Market Risk	<ul style="list-style-type: none"> ▶ Sri Lanka's current unpredictable economic situation, with its impact on supply and demand and highly competitive market in which we operate, requires our ongoing attention to protect our financial performance. ▶ Economic condition and government policies, aggressive competition, new entrants and changes to customer attitudes in the market cause loss of market share or market leadership in the relevant segments. 	<ul style="list-style-type: none"> ▶ Forecast assessment as part of financial planning and short to medium-term operational planning. ▶ Deployment of commercial and procurement excellence programs. ▶ Continued focus on operational cost, complexity reduction and margin management. ▶ Continuous focus on innovation & regular monitoring of customer/consumer trends. ▶ Enhancing productivity/efficiency to improve price competitiveness, monitor market data and strengthen the offers.

No	Risk Exposure	Description	Risk Mitigation
5	Supply Chain Risk	<ul style="list-style-type: none"> ▶ Supply disruptions due to continued supply shortages, price change impacts and pandemic effects on the supplier side that require continuous attention. ▶ To protect our service levels to our customers. ▶ Disruptions to the production process by not having the right material/service at the right time with the right quality. 	<ul style="list-style-type: none"> ▶ Maintain and further improve strong industry and market intelligence analysis of suppliers and raw material market. ▶ Drive supply chain network design, end-to-end from supplier to end customer, roll out raw material plan and stocking through business planning. ▶ Test product quality control of supplies for effectiveness, review key suppliers periodically to ensure they meet rigorous quality standards. ▶ Consistent engagement with diverse suppliers to maintain strong relationships.
6	Human Resource Risk	<ul style="list-style-type: none"> ▶ Ability to attract and retain talent in a tightening talent market and rapidly evolving business environment determines, to a large extent, the success of our organization to deliver on our targets. ▶ Potential disruption to work as a result of failure to attract, develop and retain a skilled workforce and loss of key executives. 	<ul style="list-style-type: none"> ▶ Strengthen CFL's employer value proposition, based on our commitment to employee growth and the Company's purpose. ▶ Focus on talent acquisition plan, talent development programs and succession planning. ▶ Talent Management driving talent, leadership development and Succession planning applied at the Company.
7	System Risk, IT and Cybersecurity	<ul style="list-style-type: none"> ▶ With the increasing frequency and magnitude of cybersecurity threats facing, we are taking additional measures to strengthen our security to be better able to respond and recover as quickly as possible in the event of an incident impacting our Company. ▶ Potential of system failures, inaccuracy, or delays in decision-making to inaccurate or non-availability of timely information from key computer systems. 	<ul style="list-style-type: none"> ▶ Continually reinforcing a cybersecurity culture (intensified training, awareness creation). ▶ Continuation of system rationalization to remove redundant legacy systems where they exist. ▶ Increasing collaboration with suppliers on various detection, response activities and measures. ▶ Regular system audits are conducted to cover the key risk. ▶ Disaster recovery plans are identified and tested on regular basis.
8	Exchange rate Risk	<ul style="list-style-type: none"> ▶ Scarcity of finding foreign currencies have been a real challenge during the period under review to source imported materials. ▶ Potential losses due to adverse fluctuation of exchange rates. 	<ul style="list-style-type: none"> ▶ Action is taken to provide more focus on exports to bring foreign currencies to the country. ▶ Shift and NPDs focus on more locally procured raw materials to reduce dependency on imported materials. ▶ Consistent monitoring of forex rates and outlook by the Finance Department.
9	Operational Risk	<ul style="list-style-type: none"> ▶ Potential losses due to inadequate internal controls, failures of internal processes, people and systems as a result of natural and human activities. 	<ul style="list-style-type: none"> ▶ Businesses continuity plans to ensure the smooth operation of the business even at the time of disaster. ▶ Internal audits on internal controls and compliance.

Internal Controls and Risk Management

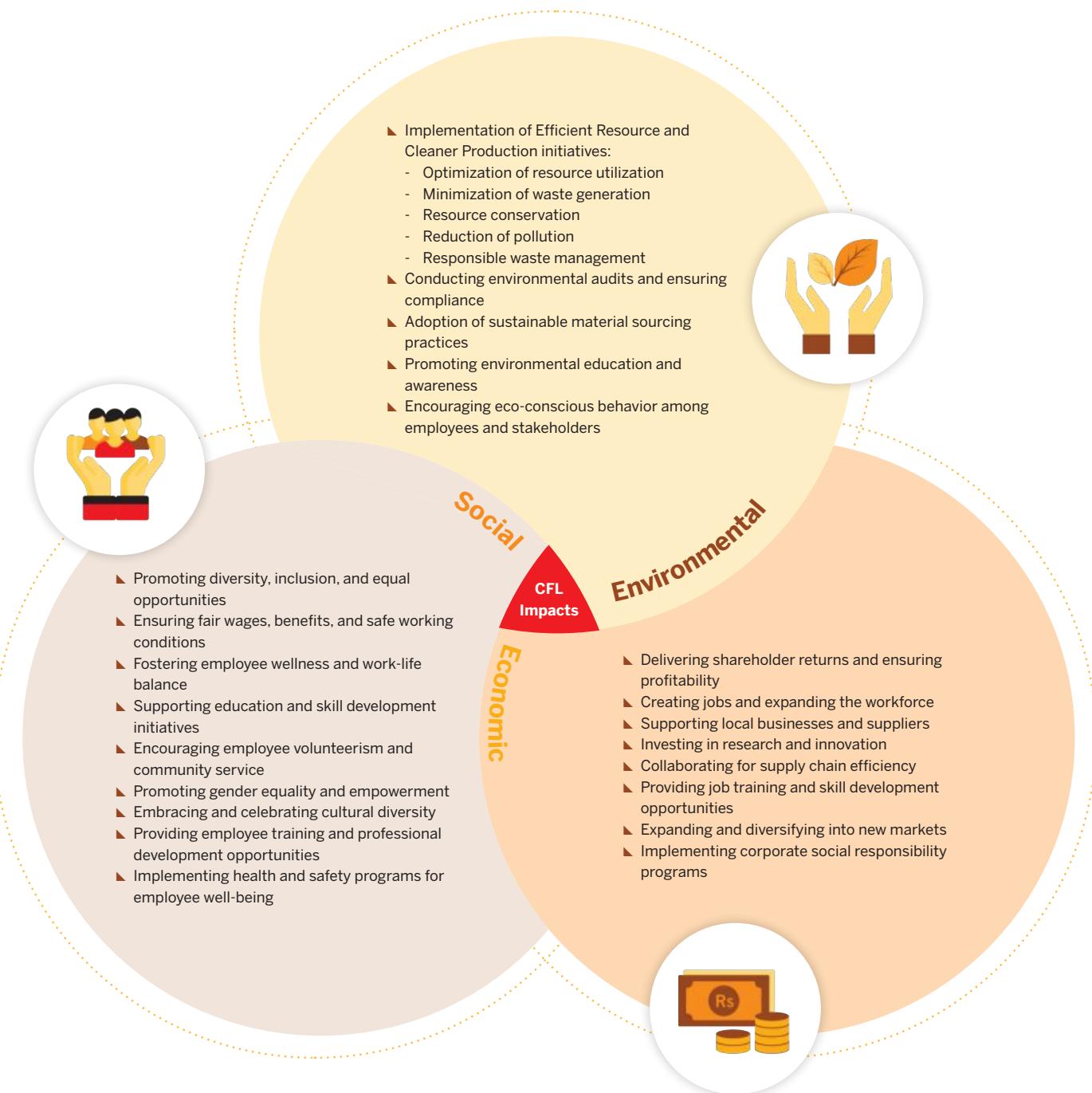
No	Risk Exposure	Description	Risk Mitigation
10	Product Risk	<ul style="list-style-type: none"> ▶ Market leadership where our markets are growing is one of the cornerstones of our strategy. ▶ Probability of new product failing or demand to decline for existing products. 	<ul style="list-style-type: none"> ▶ Investment in sales capability and deployment of commercial excellence programs. ▶ Driving demand planning, product innovation and supply chain agility through integrated business planning. ▶ Develop strategies to get closer to customers and be responsive to their needs.
11	Liquidity Risk	<ul style="list-style-type: none"> ▶ Adverse impact on the liquidity position as a result of payment delays by debtors, long stock holding period, and early payment for creditors. 	<ul style="list-style-type: none"> ▶ Continuous reviewing of business models and working capital management. ▶ Strong relationships with banks and unutilised funding lines. ▶ Consistently monitoring of assets and liabilities maturity mismatches.
12	Interest rate Risk	<ul style="list-style-type: none"> ▶ Fluctuations in market interest rates have an impact on profitability and capital. 	<ul style="list-style-type: none"> ▶ Interest rate trends and outlook are monitored consistently. ▶ Interest rate sensitivity analysis is performed regularly to measure the potential impacts of rate variations. ▶ Consistent negotiations with banks to obtain attractive interest rates.
13	Health & Safety Risk	<ul style="list-style-type: none"> ▶ The Company acted to safeguard employee health and well being and minimize business disruption. ▶ The likelihood that an individual may be harmed or suffers adverse health effects if exposed to a hazard. 	<ul style="list-style-type: none"> ▶ Safety guidelines for our staff, contractors and/or third-party suppliers working on our premises, updated in real-time, based on local regulations/ guidance. ▶ Focus on well-being support for our staff, health & Safety reviews are conducted in locations where internal parties and external consultants consider crucial.
14	Credit Risk	<ul style="list-style-type: none"> ▶ Potential losses arising due to default by the debtors. 	<ul style="list-style-type: none"> ▶ Efficient debt follow-up and collection practices. ▶ Adherence to business-specific credit policies. ▶ Where necessary, Bank guarantees have been placed to cover up high volume transactions.
15	Social Risk	<ul style="list-style-type: none"> ▶ Labour and human rights violations, environmental degradation, corruption, or the implications of undue social and economic stratifications or marginalization at CFL cause serious harm to the local people involved and make business unsustainable in the long run. 	<ul style="list-style-type: none"> ▶ Caring for society and the communities in which we operate is a vital part of our activities through the social projects we run under the CFL. ▶ Focused on uplifting and renovating communities as well as educating, mentoring and training future generations, unlocking possibilities for people who need them most Implementation of CSR projects across CFL.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<p></p> <ul style="list-style-type: none"> ► CFL maintains production continuity and cost efficiency by implementing competitive pricing strategies and fostering strong relationships with business and strategic partners. ► CFL benefits from a dedicated and experienced workforce that enables the company to navigate uncertain market conditions in Sri Lanka effectively. ► As a subsidiary of a well-established food conglomerate, CFL has the strength and flexibility to negotiate favorable terms with external stakeholders, enhancing company stability. ► CFL has achieved strong brand recognition and acceptance among consumers through robust marketing and advertising strategies, providing a significant competitive advantage in the FMCG market. ► CFL's strong distribution network ensures widespread product availability throughout the country, reaching a wide range of consumers. ► CFL demonstrates fast-paced product development and innovation capabilities driven by extensive research and consumer insights. ► CFL possesses the ability to adapt to changing consumer trends and preferences through its wide product portfolio, catering to diverse consumer needs effectively. ► CFL benefits from the expertise and resources of its parent company, leveraging their support to enhance operational efficiency and market competitiveness. 	<p></p> <ul style="list-style-type: none"> ► Faces intense competition from established FMCG companies and emerging local competitors which may affect profitability. ► Differentiating products and standing out unique product attributes in a crowded market in Sri Lanka present challenges. ► Passing on cost increases (due to inflationary impact) to price-sensitive consumers in the Sri Lankan market poses difficulties. ► Price wars and aggressive promotional activities in the FMCG market, creating pricing pressures and eroding product margins. 	<p></p> <ul style="list-style-type: none"> ► CFL has the opportunity to expand its market presence by entering new markets. ► The increasing consumer demand for healthier and more sustainable products in Sri Lanka creates an opportunity for CFL to introduce new product lines. ► The growing popularity of e-commerce and online retail channels in Sri Lanka provides CFL with opportunities for direct-to-consumer sales and personalized marketing strategies. ► By utilizing data analytics and technology, CFL can gain deeper consumer insights specific to the Sri Lankan market and enhance its marketing strategies accordingly. ► Developing strategic partnerships with retailers or distributors in Sri Lanka can help CFL expand its market reach and strengthen its distribution network. ► CFL can explore potential acquisitions or mergers with complementary FMCG companies in Sri Lanka to expand its product portfolio or enter new market segments. ► Capitalizing on emerging consumer trends and preferences, such as convenience, generate a competitive edge. ► Investing in research and development presents an opportunity for CFL to create unique and differentiated products that cater to the specific needs and preferences of consumers. ► Engaging in corporate social responsibility initiatives tailored to the Sri Lankan market can enhance CFL's brand reputation and connect with socially conscious consumers. 	<p></p> <ul style="list-style-type: none"> ► Building long-term customer loyalty in Sri Lanka is challenging due to the availability of low-quality substitute products and price-sensitive preferences over current economic context. ► Vulnerability to economic downturns or recessions in Sri Lanka, leading to reduced consumer spending and lower demand for FMCG products. ► Exposure to volatile currency exchange rates, impacting import costs and profitability, especially for materials sourced from abroad. ► Negative impact of social media and online platforms, where negative reviews or false news can quickly harm brand reputation.

CFL Impacts

Our company's operations have fostered strong relationships across various industries and value chains, resulting in significant socio-economic impacts nationwide. We place a high priority on respecting our suppliers and business partners, recognizing the potential influence we have in driving positive change which is guided by our core values of care, quality, innovation and integrity. We are fully committed to upholding sustainable business practices. We are mindful of our environmental impact and actively take steps to minimize harm and restore natural resources. Continuously striving to reduce our ecological footprint, we aim to meet the needs of our communities while minimizing our impact on the environment. As we embark on the new year, we remain steadfast in our dedication to collaboration, innovation, and responsible business conduct. Our ultimate goal is to make long-lasting contributions to communities and safeguard the environment, all while pursuing sustainable growth and creating shared value for all stakeholders.



Sustainability at CFL

Our Approach

Sustainability Integration

The Company remains committed to sustainability by balancing economic success, environmental preservation, and social responsibility. Despite the global and national challenges faced during this financial year, the Company has strived to go beyond business ventures and serve humanity, employees, partners, and communities with kindness towards people and nature. Building strong relationships and connections with stakeholders has made CFL a truly sustainable brand.

During 2022/2023, the Company prioritized employee health and wellbeing, while promoting mindfulness to cope with health and economic challenges. CFL also

invested in training and development, promoting sustainable lifestyles, climate adaptation, safeguarding natural and cultural ecosystems, and engaging with stakeholders to drive the workforce towards a circular economy.

At the top, our leadership team is dedicated to positively influencing management, employees, customers, and all stakeholders to uphold high standards of integrity, business ethics, transparency, and honest behavior as the fundamental principles of our operations. To ensure the sustainability of our commitment, we have established performance measures and reporting systems to monitor our performance against metrics and compliance with relevant policies, procedures, and controls. Regular

reviews of our policies guarantee their comprehensiveness, suitability, adequacy, and effectiveness. We provide a safe environment where individuals can report any unethical behaviors or violations they have identified using our whistle-blowing mechanisms.

Our sustainability ambitions revolve around creating a cleaner and healthier world. We continuously improve our social and environmental performance through impactful initiatives aimed at mitigating our negative impact on the planet and society. Our business aligns with a sustainability road map based on an Environmental, Social, and Governance (ESG) framework, which identifies organizational priorities and targets.

The following targets were set on ESG Priorities:



Targets and ESG Priorities :

ENVIRONMENTAL -Reduce carbon emission in our operations	<ul style="list-style-type: none"> ► Implement proactive measures and be ready for possible regulatory requirements in future ► Minimize waste to landfill and establish 3R (Reduce, Reuse, Recycle) practices. ► Shift towards renewable energy sources ► Biodiversity Conservation and Preservation Carbon off set programs ► To support Extended Producer Responsibility (EPR) <p>(Please refer to pages 69 to 72)</p>
SOCIAL - Improve working environment and human wellbeing	<ul style="list-style-type: none"> ► Enhance measures to ensure safety of employees at the workplace/ Provide necessary technology ► Improve employee total wellbeing (Physical, Mental, Emotional, Spiritual and Financial) <p>(Please refer to pages 49 to 57)</p>
GOVERNANCE - Safeguard corporate reputation and sound internal control	<ul style="list-style-type: none"> ► Transparency and accurate report <p>(Please refer to governance disclosures)</p>

Sustainability at CFL

Reduce carbon emission in our operations and improve biodiversity (SDG 6,7,11,12,13,14,15)(GRI 302,303,304,305,306,414)

ESG Priority	UN SDG	GRI	Action plan
Minimize waste to landfill and establish 3R (Reduce, Reuse, Recycle) practices.	GOAL 11: Sustainable cities and communities GOAL 12: Responsible Consumption and Production GOAL 13: Climate Action GOAL 14: Life below water	GRI 306	SPAR & Inhouse PET Bottle collection & Recycle Collection and recycling of Point of Sale Poster (PP) Boards Paper Saving Project - Document Management System Packaging Optimization Project
Minimize process energy & Water consumption by improving efficiencies (Energy Intensity & Water Intensity)	GOAL 06: Clean Water & Sanitation GOAL 13: Climate Action	GRI 302, 303,306	PROMISE Project ISO 50001 Certification
Biodiversity Conservation and Preservation - Carbon off set programs	GOAL 13: Climate Action	GRI 304, 305	Tree planting Projects Mangrove plantation
Implement proactive measures and ready for possible regulatory requirements in future. To support Extended Producer Responsibility (EPR)	GOAL 11: Sustainable cities and communities GOAL 12: Responsible Consumption and Production	GRI 306	Project on- Introduction of Sustainable Packaging USAID Project for 2030 Plastic Challenge initiative CBL Haritha Piyawara- School Wrapper Collection Project Post Consumer Wrapper Collection Project

Improve working environment and human well-being (SDG 1,2,3,4,5,8,9,10,14) (GRI 401,403,404,405,406,413,417,418)

SOCIAL - Improve working environment and human wellbeing	ESG Priority	UN SDG	GRI	Action plan
	Enhance measures to ensure safety of employees at the workplace/ Provide necessary technology	GOAL 03: Good Health and Well-being GOAL 08: Decent Work and Economic Growth	GRI 403	Occupational Health and Safety Management System
	Capacity building through focus training and development	GOAL 04: Quality Education GOAL 08: Decent Work and Economic Growth GOAL 10: Reduce Inequality	GRI 404	Internal and External Trainings
	Improve employee total wellbeing (Physical, Mental, Emotional, Spiritual and Financial)	GOAL 03: Good Health and Well-being	GRI 401, 403	Home Gardening Campaign Counselling programs with Sumithrayo Awareness Programs
	Support communities in need through participatory projects	GOAL 01: No Poverty GOAL 14:Life below water	GRI 203, 413, 418	Beach Clean ups Brand led CSR projects

Safeguard corporate reputation and sound internal controls (SDG 08,12,16)(GRI 414,409)

GOVERNANCE - Safeguard corporate reputation and sound internal controls	ESG Priority	UN SDG	GRI	Action plan
	Further improve Transparency and accurate report	GOAL 16:Peace, Justice and strong Institution	GRI 2-12	Quarterly financial reporting process, and compliance check list
	Conduct annual Employee Satisfaction Surveys and action the concern areas	GOAL 08: Decent Work and Economic Growth	GRI 402	Employee engagement activities
	Business code of conduct for the company	GOAL 16:Peace, Justice and strong Institution	GRI 2-12	Code of conduct and supplier registration process

Economic Review

Global Outlook

In early 2022, the Russia-Ukraine conflict created a turbulent environment, setting the stage for a year of upheaval. The already struggling global economy, which had been battered by the pandemic, was poised to face additional shocks of differing intensities. As a result of synchronous policy tightening by central banks worldwide, an effort to curb elevated inflation triggered by the Russia-Ukraine conflict and a resurgence of COVID-19 cases in China, global economic activity experienced a slowdown in 2022.

According to the January 2023 update of the World Economic Outlook (WEO), global inflation reached to a high level in 2022 and is expected to gradually decrease in 2023 due to declining demand and easing commodity prices. Consumer prices worldwide surged by 8.8 percent in 2022, in contrast to 4.7 percent in 2021. This sharp increase in inflation during 2022 was influenced by a combination of factors related to both demand and supply in the global economy.

It is projected that global inflation will decrease to 6.6 percent in 2023 and further decline to 4.3 percent in 2024. However, it is important to note that these forecasted inflation levels remain higher compared to the pre-pandemic period, where inflation was approximately around 3.5 percent.

In 2022, economies across the world experienced a significant deceleration, with growth rates reaching as low as 2.8 percent by the year's end. While the slowdown was primarily concentrated in Europe, the United Kingdom, and other developed regions, its effects were felt globally, particularly in the countries of the global south. The aftershocks of the economic slowdown reverberated throughout various regions worldwide.

The Company experienced inflationary pressures that had an impact on profit margins, particularly towards the end of the year. These effects were particularly significant in the Consumer Foods industry, where rising prices of raw materials and other commodities directly affected industry margins.

Local Outlook

Sri Lanka faced a severe economic downturn in 2022, driven by both domestic and global challenges, as well as an unprecedented currency crisis. The country experienced its largest economic contraction since gaining independence, with real GDP plummeting by a significant 7.8 percent. A longstanding twin deficit, dwindling foreign exchange reserves, and soaring demand-pull inflation caused by unsustainable money printing created an immensely challenging operating environment for businesses heavily reliant on imports. The import ban on numerous products and inputs compounded the difficulties faced by these businesses.

Furthermore, an imprudent agricultural policy implemented in 2021, which imposed a complete ban on inorganic fertilizers and persisted into the first quarter of 2022, played a significant role in the near-collapse of the Sri Lankan economy. The nation also faced detrimental fuel shortages and an energy crisis, intensifying the difficulties faced by businesses. The Company had to formulate new strategies to navigate the repercussions of these crises. Recovery measures, including elevated policy rates and fiscal consolidation backed by the International Monetary Fund (IMF), created a challenging environment for businesses across the board due to economic contraction. While stability has largely been restored by the second quarter of 2023, with a positive outlook for the remainder of the year.

Key Fiscal Policy Measures Implemented

- ▶ The Ports and Airports Development Levy (PAL) underwent revisions for various imported items.
- ▶ A mandatory advance payment of income tax (APIT) system was reintroduced, resulting in a reduction in tax free allowances and progressive increments in personal income tax rates, with a maximum rate of 36%. This marked a departure from the previous maximum rate of 18%, and the progressive rates were applicable to narrower income slabs.

Effective from 01st September 2022

- ▶ Value Added Tax (VAT) increased to 15% from 8%.



-7.8%

GDP Growth



3,474

Per Capita GDP USD

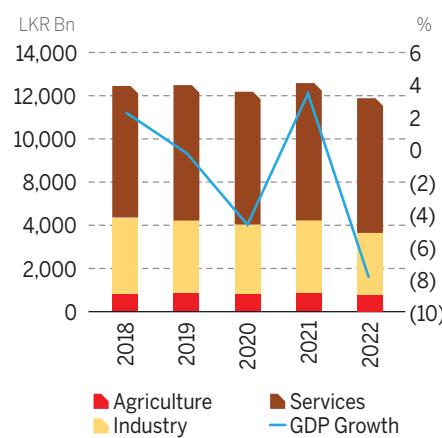
Effective from 01st October 2022

- ▶ The standard income tax rate was raised from 24% to 30%.
- ▶ Exemptions and concessionary tax rates, previously at 14% and 18%, were increased to 30% for specific gains, profits, and selected industries.
- ▶ The Capital Gains Tax (CGT) applied to the realization of investment assets.
- ▶ A Social Security Contribution Levy (SSCL) of 2.5%, based on company revenue, was introduced for companies with an annual revenue exceeding Rs. 120 million. This tax is also applicable to the value of imports.

Effective from 01st January 2023

- ▶ Excise duties on cigarettes, alcoholic beverages, and petroleum products witnessed an upward revision, resulting in increased tax rates for these items.

GDP & GDP Growth



Industry Review

Convenience Foods (Lanka) PLC's consumer segment has emerged as one of the leading performers in the fast-moving consumer goods (FMCG) sector of Sri Lanka. As a prominent player in the food industry, the company achieves an impressive annual turnover of Rs. 8 billion and houses a portfolio of well-established brands that hold market leadership positions in certain categories.

The year presented a blend of challenges and opportunities for the consumer goods segment. Locally focused business units encountered obstacles in what was unquestionably a challenging year. However, the export business witnessed benefits due to the appreciation of the US dollar against the local currency. Nonetheless, the export sector was not immune to the macroeconomic conditions that prevailed throughout the year.

The agriculture sector, which had been facing lacklustre performance since 2019, experienced a contraction of 4.6% in 2022 compared to the previous year. This decline primarily resulted from severe shortages in chemical fertilizers and other agrochemicals, escalated costs of raw materials, and disruptions in supply networks.

Despite enduring multiple crises in the past decade, the company has successfully maintained its market-leading position in the textured soy protein (TSP) category, catering to a specific socioeconomic demographic and enjoying significant popularity within its target market. Import restrictions implemented during the year had a favorable effect on the company's Breakfast Cereal range, known as 'Nutriline,' elevating it as the preferred high-quality and nutritious breakfast cereal option in Sri Lanka.

Following the crises that unfolded in 2022, the entire brand portfolio encountered challenges. The inflationary economic conditions prompted the entire industry, to implement pricing revisions across the board while seeking opportunities for efficiencies and cost savings. To ensure sufficient volumes, the Company had to concentrate its efforts on specific

market segments, targeted pack sizes, and contextually relevant communication strategies to maintain consumer loyalty within their brands. This included offering smaller pack sizes to promote more frequent and affordable purchases for consumers.

In terms of revenue, the Company experienced a positive trajectory during the reporting period, primarily attributed to adjustments made in packaging sizes, resulting in increased volume of purchases. The rise in raw material costs necessitated price increases for certain products. Although these price adjustments did not directly translate into improved earnings before interest and taxes (EBIT), the Company's performance marginally improved in this regard in 2022. Nevertheless, the significant surge in revenue was notable, even though it did not significantly reflect on the bottom line.

The economic crises the industry faced whilst providing numerous insights and learnings on navigating one of the toughest market conditions, it has also created many growth opportunities, especially for local businesses. At CFL we have succeeded in navigating the many challenges that were before us in delivering yet another strong year of performance in our history. The strong brand and product portfolio of CFL is well insulated for these challenging market conditions and pose greater growth opportunities into the future which we aim to harness for further growth.



+40%

Market Share
(Lanka soy)



59%

Food Inflation
(December 2022)

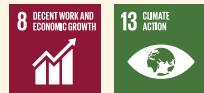


-16%

Industry Sector
(2022-Est.)



Financial Capital



Management Approach

We attribute our journey of success to a wide customer base, business partners, and the communities we collaborate with. Through active engagement with these key stakeholders, the Company aims to create shared value. We remain committed to upholding the highest levels of transparency and integrity in all our transactions, fostering trust among our stakeholder groups. Our dedication extends to adhering to the highest standards of product responsibility in terms of packaging and communicating nutritional qualities, empowering consumers to make informed choices. Amidst the challenges posed in the external environment, maintaining and nurturing these relationships and human connections has been a priority for CFL. We have embraced the “new normal” and successfully nurtured and strengthened these networks in the face of adversity.

Overview

The financial year under review presented significant challenges for CFL, mirroring the difficulties faced by the entire nation. The Company encountered obstacles relating to its supply chain, the depreciation of the local currency, a scarcity of foreign currency, inflationary pressures, and rising operational expenses. The dire financial situation in the country, resulting from a combination of external and domestic shocks, led to the Government of Sri Lanka declaring bankruptcy on April 2022. Consequently, a temporary suspension of all external debt repayments was announced. This unprecedented situation caused a socioeconomic catastrophe and disrupted all sectors, fueled by an alarming inflation rate reaching nearly 70%, foreign exchange reserve shortages, fuel shortages, and a scarcity of medical supplies.

The company initiated a strategic exploration to uncover innovative approaches with the objective of boosting demand, optimizing operations, reducing costs, and enhancing its financial performance in the upcoming period. A thorough examination of its financing

structure and strategies was undertaken to effectively manage the mounting interest expense and drive improved financial performance in the foreseeable future.

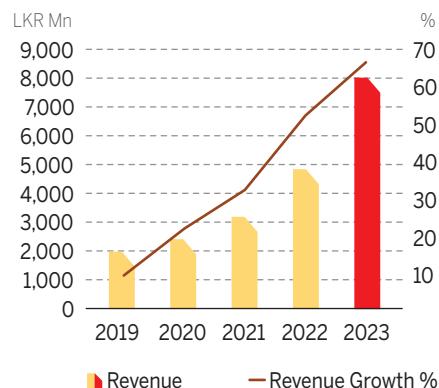
Revenue

Despite the numerous challenges that persisted, the Company achieved a revenue of Rs. 8,041.4 Mn, reflecting a growth rate of 65% during the year. The surge in inflation necessitated price adjustments, which played a significant role in driving the growth of the top line, even as industry-wide volumes experienced a decline. The Company's unwavering commitment to market leadership was demonstrated through a focused approach on sales and distribution, along with a concerted effort to develop a diversified range of products and revamp existing offerings to meet the evolving needs of customers in a challenging economic landscape. As a result, the General Trade, Modern Trade, and HoReCa channels all experienced notable growth in net revenue. Additionally, the export segment demonstrated a growth in its top line, reflecting the Company's strategy for expanding its presence in international markets.

Earnings Before Interest and Tax (EBIT)

The Company recorded a total gross profit of Rs. 1,909.9 Mn, an increase of 62.4% compared to previous year. Gross Profit margins deteriorated to 23.8% from 24.1% in 2021/22 reflecting the challenges in striking a balance between escalated costs, increase in prices, and resultant pressure on volumes. Gross margins were impacted by significant cost escalations in raw materials and packing materials, whilst operational costs noted a 61.5% increase, only a portion of this could be recouped by way of price increases.

Revenue



Financial Capital

The key raw material costs such as soya flour and chili unprecedented increases respectively, due to the import restriction and foreign exchange constraints, which put pressure on costs and stock holding. Increases in the cost of fuel and utilities, together with other tax increases, added to the pressure on margin.

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

Administrative expenses increased by 31.4%, primarily due to inflationary effect, while selling and distribution costs rose by 41.6%. Despite that, the Company recorded an Operating Profit of Rs. 920.4 Mn.

Net Finance Income

Using short-term investment funds have been invested back in the inventories to make sure continuous supply to our customers. The Company went into bulk buying of materials in order to ensure the continuity of the production lines. The Company's finance cost increased to Rs. 294.7 Mn in the year under review from Rs. 11.6 Mn in the financial year 2021/22.

Profit After Tax (PAT)

Profit After Tax edged to an increase of 35.0% from Rs. 385.6 Mn to Rs. 520.5 Mn. PAT margin dipped to 6.5% in 2022/23 compared to 7.9% last year. The Company's tax charge was Rs. 126.9 Mn, indicating an increase of 22.5% from the tax charge of Rs. 103.6 Mn incurred in the previous year. The Earnings per Share (EPS) of Rs. 189.27 for this year, compared to the previous year value of Rs. 140.21, underscores the overall strength.

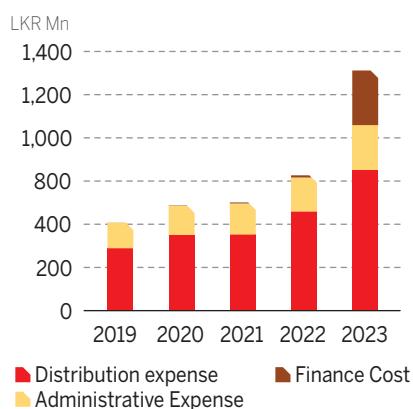
Cash Flow and Liquidity Position

Operating net cash outflow increased to Rs. 542.1 Mn in comparison with the previous year's net cash outflow of Rs. 216.3 Mn. Free cash flows from the operations were largely affected by the increase in working capital. The management took this conscious decision to use existing funds as well as borrowings in order to invest in the raw material irrespective of the pressure on the cash flow stocks to secure uninterrupted supply into the market. Because of the above, the current ratio declined to 1.9 times from 2.7 times in the previous year.

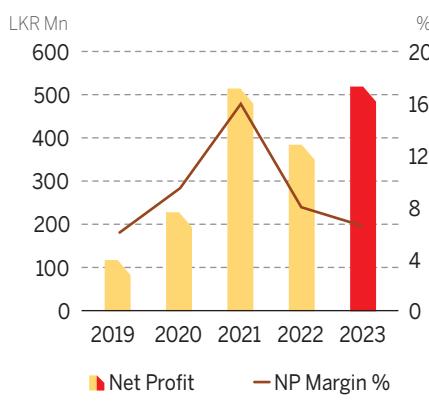
Return on Capital Employed (ROCE)/ Return on Equity (ROE)

The Company ROCE increased to 27.1% from 24.1% recorded in the preceding year while the increased ROE stood at 21.3% from 18.6% as recorded in the previous year. A key strategic outcome is expected through our operational strategy to turnaround this situation when current inventories are getting converted to cash.

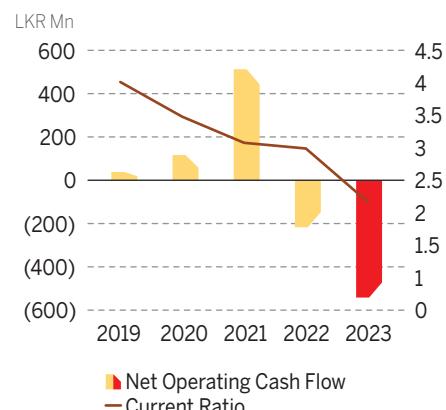
Indirect expenses



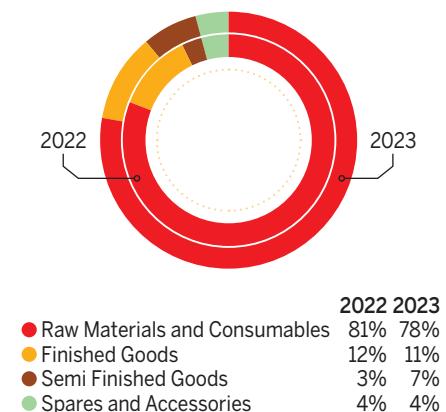
Net Profit and Net Profit Margin



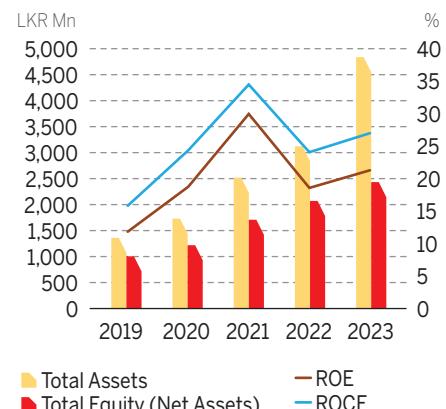
Operating Cash Flow, Current Ratio



Inventories



ROCE & ROE



Asset Turnover

The capital expenditure during the year was Rs. 85.5 Mn. The investment in property, plant and equipment decreased by 53% compared to the previous year and the CFL was able to maintain a steady level of total asset turnover ratio in the current year recording 1.7 times as opposed to 1.5 times in the preceding year. The total assets in the period under review rose to Rs. 4,858 Mn from Rs. 3,158 Mn in the preceding year.

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

The Company has announced a first and final dividend of Rs. 4.70 per share for the financial year ended 2022/23, which will be distributed after the AGM. The EPS has increased by 35% to Rs. 189.27 per share, from Rs. 140.21 in the previous year.

Performance of the Share

During the year, CFL share's reached an all-time high of Rs. 1,485.00 as at 1st December 2022 and the lowest trade share price is Rs. 888.00 on 25th April 2022. The year-end share price of the Company as at 31st March 2023 was Rs. 1,208.00 per share as compared to Rs. 1,182.25 in 2021/22. CFL recorded a market capitalization value of Rs. 950.7 Mn as at 31st March 2023, compared to Rs. 930.4 Mn at the end of the previous financial year.

EPS vs DPS





Manufactured Capital



Management Approach

For CFL, manufactured capital is integral to our value creation process as it enables efficient and responsible manufacturing and delivery of our products, ultimately strengthening our brand. We have made significant investment in cutting-edge manufacturing facilities that operate under strict controls, allowing us to optimize capacity and ensure consistent product quality.

Despite the exceptional challenges faced in the past year, our steadfast commitment to investment has proven fruitful, evident through the successful diversification of our product portfolio. We have strategically reduced the dominance of soy-based products to comprise 65% of our overall portfolio, showcasing our adaptability. By implementing cutting-edge systems and processes, we rigorously maintain health and safety standards throughout the manufacturing cycle, further enhancing the production of high-quality products.

What we are up to

CFL has provided a diverse range of products to both local and global markets, including Soya nuggets, Cereals, Kottu, Soups and Snacks. Last year, the Company expanded its product lines by adding Sera Spices to its portfolio. CFL ventured into the spice market, introducing Sri Lanka to innovative 'Low-temperature Grinding Technology' for spice processing. This significant investment sets a new industry standard, offering consumers the pure and high quality spice experience available.

The Process of Soya Manufacturing

- A. Process of soya flour & other ingredients feeding hygienically. It involves accurately measuring and transferring the required quantities and ensures consistent ingredient inputs.
- B. Process of treating soya flour before used. The steps involved are hydration, heating to improve the texture. Optimize the properties of soya flour for processing and enhances the sensory characteristics of the end product.
- C. 100% Soy flour is subjected to an extrusion process. In extrusion, the extruder applies heat and pressure, causing the mixture to undergo a texturization process and take on a desired shape, such as nuggets, chunks, or granules.
- D. The extruded mixture emerges from the extruder, it is cut into desired lengths / shapes. This is achieved using a cutting mechanism that slices the extruded material into individual nuggets or chunks.
- E. The cut soy nuggets are dried to remove moisture and increase shelf life hygienically. Drying is accomplished through method of hot air drying. The drying process helps to achieve the desired texture and reduces the water content to prevent spoilage.
- F. After drying, the soy nuggets are typically cooled and conditioned hygienically to bring them to ambient temperature and improve their texture and stability.
- G. The final soy nuggets are packed hygienically including sachet packet for storage and distribution. Packaging involve sealing in airtight bags to maintain freshness and protect against moisture.

Capacity Utilization

Capacity utilization is a pivotal factor in production planning, taking into account various parameters including process speed and design. CFL places significant emphasis on capacity utilization and maintenance to ensure optimal performance of machinery on the production floor. By prioritizing regular preventive maintenance, the company effectively maintains and improves machine utilization, leading to enhanced overall performance.

Capital Assets

The efficient utilization of manufactured capital empowers CFL to be agile, responsive to market and societal needs, innovative, and quick in delivering products and services. When combined with appropriate technology, it leads to reduced resource consumption and a greater focus on promoting both efficiency and sustainable development within the organization.

CFL's businesses involve significant investment in manufactured capital, including property, plant and equipment, as well as right of use assets. As of March 31st 2023, the infrastructure cumulative costs incurred amounted to Rs. 1 billion.

During the fiscal year 2022/23, CFL made investments totalling Rs. 85 million to enhance its manufacturing facilities.



Spice plant at CFL

Sustainable Manufacturing Methods

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

Productivity at CFL

The organization places a strong emphasis on enhancing productivity through collaborative efforts, including QCC, Kaizen, continuous improvement, and cross-functional teams. Empowering employees with responsibility and ownership, they actively engage in innovation-driven projects. Recognition and rewards are offered for outstanding suggestions from interdepartmental and individual competitions. Employing tools like Fishbone diagram, Pareto Chart, 5 Whys, and more, they thoroughly analyze processes and root causes for improved efficiency.

To streamline operations, the organization adopts Lean manufacturing principles, eliminating non-value-added activities and minimizing waste like overproduction, inventory, defects, transportation, motion, waiting, and over-processing. They set and monitor Key Performance Indicators (KPIs) and prioritize Total Productive Maintenance (TPM) to ensure optimal machine utilization and performance.

Performance review meetings regularly assess progress in production, and new product development. Monthly targets are set, analyzed, and corrective actions are taken if necessary. The company values its workforce, encouraging motivation through appreciation and recognition for their valuable contributions. Efficient resource utilization remains central to their pursuit of productivity excellence.

Health and Safety Initiatives

The company regularly conducts Health and Safety initiatives across the organization, fostering a culture of safety. These initiatives are led by dedicated and active OSH (Occupational Safety and Health) committees. The committees consist of representatives from all levels of the organization. To ensure the development of a safety-conscious culture, OSH-related key performance indicators (KPIs) have been integrated into employee performance evaluations.

Skill Training

The company places a priority on training programs aimed at equipping the manufacturing workforce with the necessary skills to drive manufacturing practices and bridge competency gaps. Training needs are identified through annual performance appraisals and feedback from the general manager of operations and production managers. To meet these needs, a range of internal, external, and on-the-job training opportunities are provided. In addition, the company is actively working on enhancing structures, centralizing cost management functions, unifying systems, and streamlining processes through automation and digitalization. These efforts are specifically targeted at

Manufactured Capital

improving operational efficiency within the manufacturing workforce, ultimately resulting in higher product quality and increased competitiveness. This highlights the crucial role of efficient operational processes alongside the development of innovative products in the manufacturing context.

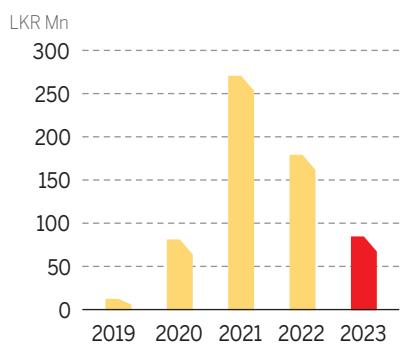
Way Forward

In line with our commitment to sustainable manufacturing practices, the Company is ambitious to operate on cutting-edge manufacturing facilities that adhere to stringent quality and food safety standards and certifications. We have consistently invested in upgrading our manufacturing technology, R&D capabilities, and quality infrastructure to align with sustainable principles. Through these initiatives, we actively reduce our carbon footprint and integrate sustainable practices into our manufacturing processes.

Total Asset vs Asset Turnover



Total Capital Expenditure



Packing section



Spice plant



Human Capital



Management Approach

CFL is dedicated to upholding the values of Caring, Quality, Innovation, and Integrity, which are deeply ingrained in its strong human capital. The well-being and health of its members take precedence for CFL, and the company ensures that their personal and professional aspirations are fulfilled through a comprehensive employee value proposition. Despite the challenges posed by the economic uncertainties, CFL has embraced digitization to enhance the efficiency of its entire HR process, optimizing time and resources from recruitment to retirement or resignation. Although digitalization and online communication can sometimes feel isolating, CFL has made efforts to promote mindful and sustainable lifestyles to safeguard the well-being of its employees. Attracting and retaining a diverse and talented workforce is crucial to the successful execution of CFL's strategy. The company remains committed to fostering the growth of its employees by enhancing their capabilities and performance. In the past year, CFL achieved a commendably low employee turnover rate of 2%, validating its status as a preferred employer.

Focus Areas in 2022/23

In light of the challenging macro-economic conditions that affected the financial security of employees, the Company developed its HR strategy for the year, taking into consideration economic, health, and safety concerns. The subsequent section outlines and provides detailed discussions on the key priorities established for the year.

Our HR Policy

The Group HR function takes a central role in driving the Company's HR agenda, ensuring alignment with the CBL strategy and practices across sectors. While each company within the organization has its own Human Resource Departments, they operate in harmony with the vision of the Group HR function, ensuring that their strategies and HR practices are aligned. This approach acknowledges the diversity and relative independence of the different companies within the Group while maintaining a cohesive HR framework.

- **Attract and Retain Right Talent** - We listen to our people through a range of well-established engagement platforms.
- **Advance Human Capability** - We invest in developing capabilities, thereby building strong talent pipelines.

- **Build a Culture of Trust and High Performance** - We are building a diverse and inclusive workforce which is socially and environmentally responsible.
- **Health and Safety** - We are committed to ensuring a safe working environment for all our employees.

Internal Policies

- **Anti-Corruption Policies:**
The Company has established anti-corruption policies to ensure ethical conduct and prevent any form of corruption within its operations. These policies outline strict guidelines and procedures to promote transparency, integrity, and accountability throughout the organization.
- **Recruitment: Equal Opportunity Employer:**
As an equal opportunity employer, the Company is committed to providing a workplace that is free from gender or racial discrimination. During the reporting period, there were no incidents of discrimination reported, indicating the Company's dedication to maintaining a fair and inclusive recruitment process.
- **Training and Development Policy:**
To create learning agility among employees, whilst developing functional / technical, behavioral, and leadership competencies of employees to achieve business excellence and personal growth. The focus is to ensure that employees are capable of meeting current and future business challenges, whilst fulfilling individual aspirations of career growth.
- **Remuneration: 1:1 Remuneration Ratio:**
The Company strives for gender equality in remuneration and aims to maintain a 1:1 remuneration ratio between men and women. This practice ensures that employees, regardless of gender, receive fair and equitable compensation for their work, fostering a gender-inclusive and unbiased work environment.
- **Anti-Sexual Harassment Policy:**
To create a safe and respectful work environment, the Company has implemented an anti-sexual harassment policy. This policy clearly defines what constitutes sexual harassment and provides guidelines on reporting incidents and the subsequent investigation process. By having this policy in place, the Company demonstrates its commitment to preventing and addressing any form of sexual harassment within the organization.

Human Capital

► Occupational Health and Safety Policy:

The Company prioritizes the health and safety of its employees and has established an occupational health and safety policy. This policy sets out guidelines, protocols, and targets aimed at achieving zero accidents in the workplace. By implementing proactive measures and providing necessary training and resources, the Company strives to create a safe working environment for all employees.

► Whistleblowing Policy:

To encourage transparency and accountability, the Company has implemented a whistleblowing policy. This policy enables employees to report any misconduct, illegal activities, or ethical violations without fear of retaliation. By providing a confidential and secure mechanism for reporting, the Company promotes a culture of integrity and ensures that issues are addressed promptly and appropriately.

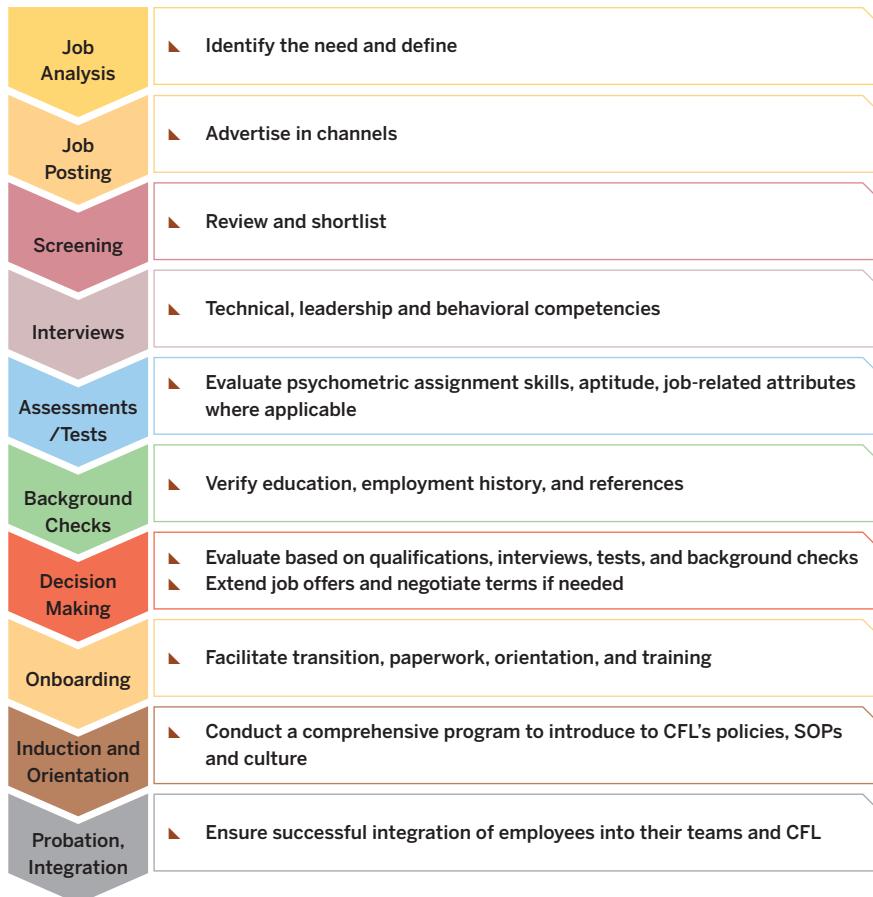
Overall, these policies and practices reflect the Company's commitment to ethical conduct, fairness, inclusivity, employee well-being, and fostering a positive work environment.

Human Resource Information Systems

During the reporting period, we accomplished the successful upgrade of CBL's HRIS (Human Resource Information System), which involved integrating it onto a cloud-based platform. Notably, additional features were implemented during this period. The new HRIS is conveniently accessible through a mobile app, which supports geo-tagging capabilities. This enhancement allows for remote access, digital approvals, and improved efficiency through process automation. The scalable and integrated nature of this platform facilitates data-driven decision-making, providing on-demand reports and dashboards for Heads of Departments (HODs) and authorized users. Additionally, benefits administration has been simplified through this system.

Recruitment in 2022/23

Due to prevailing conditions, the Company experienced a decrease in recruitment activities throughout the year. The Sales Department emerged as the largest recruiter, accounting for 12% of the total recruitments. This increase in recruitment was driven by the need to accommodate the rise in production volumes, necessitating an adequate workforce. All newly hired employees undergo a comprehensive induction and orientation program to familiarize them with the Company's policies, procedures, and work culture. In addition to these programs, virtual Group Orientation programs were conducted for Executives and above, ensuring a high level of engagement through interactive sessions and online activities. These sessions aimed to introduce newcomers to the CFL family, its rich heritage, and the values and ethics that guide life at CFL.



New Recruits

By Gender 2022/23



Male
76



Female
03

By Age 2022/23

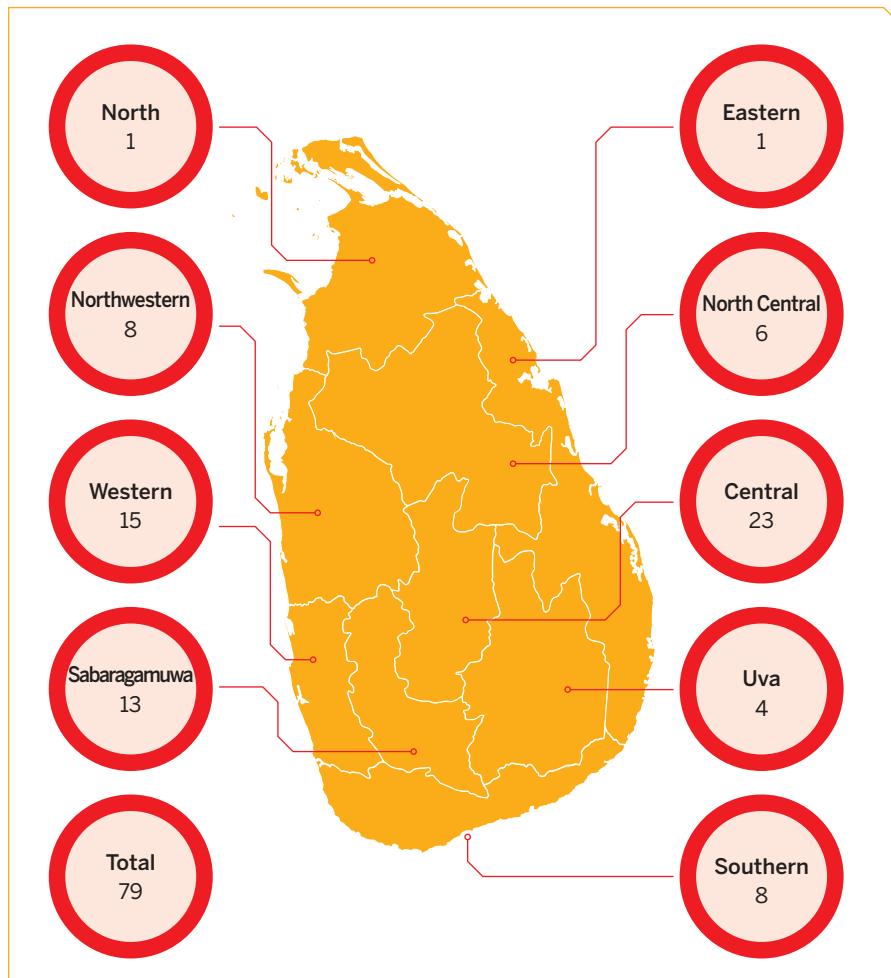


Less than 30
57



30-49
22

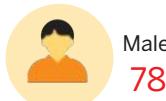
New Employees by Region



Retention

CFL has successfully maintained a commendable level of employee retention, indicating the effectiveness of its value proposition. The overall retention rate for the year stood at 76%, with a total of 88 employees leaving the organization. It is noteworthy that an increasing number of employees departed due to migration, which poses a risk of losing valuable human resource to the Company. The following information provides details about the employees who exited during the year.

Turnover by gender 2022/23



Turnover by age 2022/23

Less than 30	67
30-49	17
Above 50 years	04

Remuneration and Benefits

CFL has established a remuneration structure that aims to provide equitable and competitive compensation packages for employees across all levels of the organization. The structure comprises a combination of fixed elements, such as basic salary, as well as both fixed and variable components, such as annual bonuses and performance-based bonuses. This allows employees to be recognized and rewarded for their individual and team accomplishments. The remuneration structure undergoes regular reviews to ensure alignment with market trends, industry standards, and best practices, thus ensuring competitiveness and fairness.

	2022/23	2021/22
Total employee remuneration & Post-Employment Benefits	630.6 Mn	528.6 Mn

The year under review

During the year under review, we continued to provide competitive pay increases in line with statutory requirements along with welfare schemes designed to enhance the value created for them. Yet another benefit which is offered to employees is the insurance and OPD cover, which are reviewed annually in order to provide a suitable package. Furthermore, they enjoy the benefits of annual performance bonuses and increments along with a quota of Company products which is given free of charge monthly. The Company provides a meal to factory staff at a subsidies price.

Fixed and Performance-Based Bonus

To foster a culture of high performance and encourage employees to go above and beyond their normal responsibilities, we have a robust performance-based bonus program. This program is linked to individual, team, and/or company performance targets and objectives. By aligning these bonuses with measurable and achievable goals, we motivate employees to excel and contribute to the overall success of the organization.

Human Capital

Benefits

In addition to a competitive salary structure, we understand the importance of providing comprehensive employee benefits. Our benefits package includes OPD & Hospitalization Cover, Family get togethers, Employee Trips & other Staff events and professional development opportunities. By offering such benefits, we aim to enhance employee well-being, assist in maintaining work-life balance, and empower individuals to grow both personally and professionally.

Communication and Transparency

To ensure that all employees are aware of the remuneration and benefits policies, we maintain transparent and effective communication channels. This includes regular communication through monthly staff meetings, newsletters, company intranet, and one-on-one manager-employee discussions. Open and transparent communication regarding remuneration packages, performance reviews, and benefit updates fosters a sense of trust, belonging, and fairness within the organization. The remuneration and benefits policies implemented in our organization play a vital role in attracting, retaining, and motivating top talent. By providing a competitive compensation package, performance-based bonus, comprehensive benefits, and flexible work arrangements, we strive to create an environment where employees feel valued, recognized, and rewarded. This commitment to employee satisfaction not only results in a more engaged and productive workforce but also contributes significantly to the long-term success and sustainability of the organization.

No Child Labour, Forced Labour or Unethical Employment Practices

CFL demonstrates a strong commitment to complying with employment regulations and upholding ethical labor practices. The Company strictly prohibits child labor, underage employment, forced labor, and any other form of unfair or unethical labor practices. CFL adheres to the labor laws of Sri Lanka and ensures that these principles are integrated into service provider agreements, with service providers

acknowledging and complying with the policy requirements. It is important to note that there have been no reported incidents of child labor within the company to date.

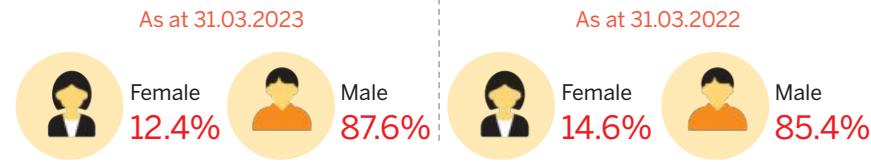
Diversity and Inclusion

As an organization with a wide customer base, we recognize the significance of fostering a diverse team, which aligns with our commercial and social goals. Our dedication to inclusivity and equity is integrated into various HR processes, including recruitment, training opportunities, remuneration, and promotions. To promote gender diversity, we foster a culture of knowledge-sharing sessions led by women leaders. These sessions serve to inspire and provide aspiring women with the opportunity to engage with and learn from the experiences of successful working women. Additionally, the Group actively celebrates International Women's Day, acknowledging and appreciating the contributions of women in the workplace and society.

The CFL Team

By the end of the financial year 2022/23, the talent pool had grown by 6%, with a total team of 355 employees who are engaged across all our facilities. The company does not engage employees on a part-time basis at present.

The CFL's workforce stood at 355 full-time employees as at 31st March 2023.



Employees by Category and Gender

	As at 31.03.2023		As at 31.03.2022	
	Male	Female	Male	Female
Management/Executive Staff	43	10	39	11
Non-Executive - Support Staff	172	6	155	7
Non-Executive - Factory Staff	96	28	87	30
	311	44	281	48

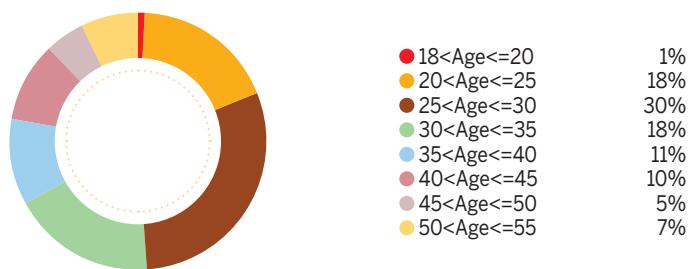
Gender Ratio - Category wise

	Male	Female
Senior Manager and above	80%	20%
Manager	86%	14%
Assistant Manager	80%	20%
Executives	77%	23%
Staff (Junior Staff)	77%	23%
Staff (TSO)	100%	0%
Associates	77%	23%

Employee experience by duration

Experience	No. of Employees
Below 5	188
Between 5-10	72
Between 10-15	40
Between 15-20	23
Between 20-25	6
More than 25	26

Staff Age



Employees by Region

Province	No. of Employees
Central	38
Eastern	01
North Central	18
North Western	21
Northern	04
Sabaragamuwa	23
Southern	31
Uva	19
Western	200
Total	355

Talent Development

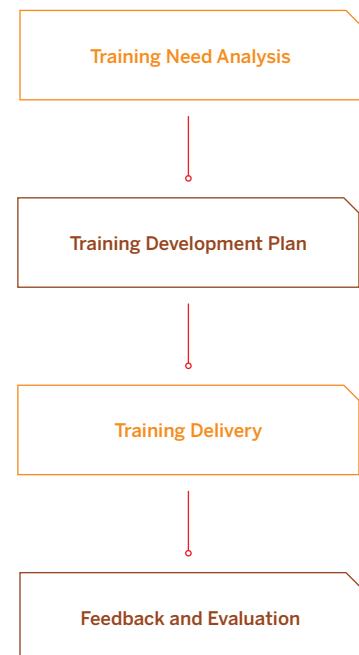
In today's ever-changing and complex operating environment, having a progressive learning strategy is crucial to meet future business needs. The Company's talent development agenda is driven by the centralized HR function within the Group. It encompasses various learning initiatives such as on-the-job training, cross-functional and cross-sector exposure, and structured training sessions.

Training programs are conducted at Company levels, tailored to address specific business needs and dynamics. There has been a shift from face-to-face learning to digital training options, ensuring uninterrupted upskilling opportunities. Leadership development, technical skill building, and competency development were among the key areas of training focus during the year. Training Needs are to be discussed with employees during the Objective

setting stage and the 70:20:10 Development Plan discussion during Performance and Development Planning Discussion. 70 percent of learning comes from experience, experiment and reflection. 20 percent derives from working with others. 10 percent comes from formal interventions and planned learning solutions.

These training programs incorporated pre and post assessments, content modules, coaching and mentoring interventions, and project assignments. In total, over 1,236 learning hours were dedicated to these initiatives. Additionally, the Company placed emphasis on enhancing soft skills, behavioral competencies, and educating participants about novel and best practices.

Talent Development Process



Human Capital

Talent Development Process

Performance Management System

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

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

Through the EPMS, employees are informed about the tasks assigned to them within specific timeframes. Regular reminders and status checks throughout the assessment period help guide employees and provide necessary guidance. The system evaluates employees based on their performance in job tasks, adherence to values, and managerial competencies.

Case studies



Asantha Wijethunga

Asantha Wijethunga joined CBL as a Stores Assistant and has steadily risen to the position of Manager - Warehousing & Logistics, backed by professional qualifications in Advance Diploma in Logistics & Warehouse Management (ISMM) & Associate membership of ISMM. His focus on efficiency and attention to detail has led to significant improvements in CFL's warehousing operations. With a strong emphasis on continuous learning, Asantha has mastered inventory management, logistics coordination, and effective team leadership. As a Manager, he ensures a seamless flow of goods, optimizes supply chain operations, and upholds CFL's commitment to timely delivery of quality products.



Shara De Fonseka

From starting her career as an Intern, Shara De Fonseka has progressed to the role of Senior Executive - Supply Chain at CFL. With qualifications in B.Sc (Hons) In Business & Management (UK) and CIMA, she excels in forecasting, procurement, and vendor management. Shara's dedication to enhancing operations and fostering robust supplier relationships has been pivotal in achieving supply chain targets. In her capacity as Senior Executive, Shara plays a crucial role in ensuring the prompt and cost-effective movement of raw materials and finished products within the company.



Vijitha Vasgunawardana

Starting as a General Worker, Vijitha Vasgunawardana has ascended to the position of Senior R&D Coordinator at CFL while augmenting his professional qualifications. The company has provided Vijitha with the necessary support to improve his learning and advance in his career. Fueled by curiosity and a passion for innovation, Vijitha consistently contributes to CFL's product development endeavors. With keen attention to detail and a creative mindset, he plays a vital role in managing activities related to new product launches and enhancements. As Senior R&D Coordinator, Vijitha leads a team and collaborates with cross-functional groups, driving innovation and elevating product quality at CFL.

Career Development and Succession Planning

No. of staff participated in Performance evaluation process	No. of staff promoted						
	2022/23	2021/22	2022/23	2021/22			
	294	281		21	24		
No. of staff participated in performance evaluation process by gender							
	Male	2022/23 250	2021/22 236		Female	2022/23 44	2021/22 45

Training programs implemented during the Year

Program	Purpose
Leadership	<ul style="list-style-type: none"> ▶ Middle Manager Development Program for Managerial Category ▶ LEGO Based Leadership Training
Behavioural	<ul style="list-style-type: none"> ▶ Personal Effectiveness Training for Assistant Manager & above category Staff ▶ Basic Interviewing Skills Training for Assistant Manager & above category Staff ▶ Basis Communication Skills Training for Assistant Manager & above category Staff
Technical	<ul style="list-style-type: none"> ▶ Training on Extrusion Technology for Supply Chain Staff ▶ Quality Management Systems trainings ▶ Trainings and brainstorming session on new product development

Succession Planning

- ▶ We have looked at bench strength mapping as to identify potential staff.
- ▶ Second level readiness at CFL - 95% (under this Ready Now, Ready Soon, Ready Later Successors have been identified in each department)

Talent Mobility

The Company seeks to retain high-performers and critical talent through offering opportunities for career progression. This has aided in building a culture of knowledge sharing, where best practices are shared thereby nurturing a base of strong tacit knowledge and organisational capital. Our internal talent pipelines are supplemented with the infusion of fresh talent through recruitments, internships, and other trainee programmes.

Average Training Hours By Category	
Managerial	563
Executive and Junior executive	409
Others	264

Rewards and Recognition

At CFL, we strongly believe in recognizing and appreciating the contributions of our employees, as it leads to positive outcomes such as motivation, increased productivity, and loyalty towards the organization. To acknowledge outstanding achievements, we conduct the annual Chairman's Awards, which celebrate new projects, innovations, and employee accomplishments. All Strategic Business Units (SBUs) are invited to submit projects in categories such as Business Excellence Awards, Sustainability Awards, and Spirit Awards. A panel of judges, including Board of Directors, Internal Audit, and Corporate HR, evaluates the projects.

The Spirit Awards specifically recognize individuals who have gone above and beyond to support the business function. In recognition of our employees' efforts in driving the Company towards excellence, we provided them a reward to recognize the efforts made, expressing our appreciation for their dedication during these challenging times.

Furthermore, The Company places high value on long-term employment. Employees who have completed 15, 20, 25, and 30 years of service are honored with a cash reward and a gold coin as a token of recognition for their loyalty and dedicated service to the organization.

A Performance-Driven Culture

CFL's remuneration policy is designed to acknowledge, reward, and retain high-performing employees, thereby cultivating a culture of performance excellence. The company utilizes its HRIS System to conduct the entire Performance Management process, including goal setting, mid-year and end-of-year reviews, for all executives and above category employees. Non-executive employees undergo offline performance appraisals. Annual performance appraisals are conducted for all permanent employees.

Despite significant liquidity pressure and unprecedented uncertainty caused by economic instability, and depreciation of the

Human Capital

currency, CFL made a firm decision to retain all employees in continuing operations at full remuneration. The company ensured that no salary cuts were imposed on any employee during this challenging period.

Remote working arrangements were facilitated for CFL's employees throughout the year. While prioritizing employee safety, the company recognized the potential risks of isolation, increased stress, and reduced motivation that could impact productivity and job satisfaction.

Employee Welfare and Social Events

CFL regularly reviews and enhances its employee welfare benefits to promote a healthy work-life balance among its workforces. The active welfare society organizes various events throughout the year, with strong participation from employees. The welfare benefits and events that occurred during the year include:

- ▶ Monthly distribution of free company product packs to employees.
- ▶ Distress loans and welfare loan facilities for employees in need.
- ▶ Distribution of hampers containing a range of company products in January and April.
- ▶ Deployment of a nurse aid to provide assistance to employees.
- ▶ Free medical assistance and medicine through a visiting doctor.
- ▶ Free shuttle transport service from bus and railway stations to the factory.
- ▶ Provision of subsidized lunch/dinner options for factory staff.
- ▶ Celebration of Sinhala New Year (April) and Awurudu Uthsawaya.
- ▶ Observance of Poson Dansala (June).
- ▶ Chairman's Awards ceremony (July).
- ▶ Annual excursion for employees (August).
- ▶ Blood donation drive (October).
- ▶ Secret Santa and Annual Get together (December).
- ▶ Pirith Pinkama ceremony (January).
- ▶ Employee Engagement & Recognition event (February).
- ▶ Women's Day Celebration event (March).
- ▶ Group Photography Competition.
- ▶ Annual get-together, where employees and their families gather in a star-class hotel.

These initiatives and events demonstrate CFL's commitment to enhancing employee well-being, engagement, and fostering a positive work environment.

Employee Well-Being and Safety

CFL takes several measures to promote employee well-being and safety. Some effective measures are, Occupational Health and Safety Policies, providing adequate training, encouraging work-life balance, providing employee assistance programs, conducting regular safety inspections, encouraging reporting of safety concerns and promoting healthy habits.

Employee wellbeing is focused under 6 key dimensions of physical, mental, financial, relationship, spiritual and environmental wellbeing with the education and evaluations focused on the said areas.

Occupational Health and Safety

Apart from adhering to COVID-19 prevention guidelines, CFL maintains rigorous occupational health and safety measures. These measures are supported by a

robust governance structure, compliance with safety certifications, and the implementation of tools and procedures to identify and report potential health and safety risks.

Continuous safety training is provided to employees, addressing specific occupational health and safety risks they may encounter. Training topics include firefighting, first aid, incident investigation, behavioral training, and emergency response. The company also employs dedicated OSH professionals and utilizes visual communication aids to enhance safety awareness. To further enhance safety, CFL provides emergency vehicles at sites, establishes medical centers, and assigns dedicated nurses or medical representatives at facilities.

Overall, CFL is committed to maintaining a strong focus on occupational health and safety, fostering a culture of safety awareness, and providing the necessary resources to protect the well-being of its employees.

Descriptions	2022/23	2021/22
Health and Safety at the Workplace		
Injuries (occurring within the Organization)	1	2
Lost Time Accidents During the year		
Lost (Hours)	18	90
Lost (Days)	2	10



Hazard Identification

The Company has a dedicated OSH management arm, which is powered by qualified safety professionals. Hazard identification is also enabled by risk assessments relating to ISO 45000:2018. In addition to the above, employees are frequently provided suitable personal protective equipment(PPE) to ensure personal hygiene and safety and periodic tests and medical checkups are carried out for selected employees to ensure their personal hygiene as well as customer health and safety.



Dental Clinic



Sport Fiesta 2023



Fire Drill Program

Way Forward

Despite the anticipated challenges in retaining talent due to the enduring adverse impact of the economic downturn on the Sri Lankan economy and the increased migration of employees for overseas opportunities, CFL remains confident in its ability to adopt a comprehensive approach to creating value for its employees and effectively retaining and attracting top talent. A key focus will be on reviewing and updating critical HR policies related to employee rewards and remuneration. The objective is to mitigate the impact of declining purchasing power, provide financial relief, and prioritize the mental well-being of employees.

CFL will also prioritize initiatives aimed at developing a skilled and adaptable workforce capable of effectively managing critical functions. This will involve accelerating employee career progression, enhancing Succession Planning activities, and creating additional opportunities for career advancement. Furthermore, CFL will explore innovative strategies to support employees in realizing their future career aspirations and fostering their leadership potential. To embrace the digital transformation, CFL will implement tailored programs to enhance employees' digital readiness, especially for those with limited technological familiarity. These programs will empower employees, cultivate their digital skills, and foster motivation, thereby generating long-term value for the company's human capital.

Overall, CFL remains steadfast in its commitment to overcoming the challenges in human resource management through a holistic approach that emphasizes career development, digital readiness, and employee well-being. By doing so, CFL aims to create an environment that attracts, retains, and nurtures top talent within the organization.



Intellectual Capital



Management Approach

CFL recognizes the crucial role of intellectual capital in maintaining competitiveness within the FMCG industry. By effectively utilizing intellectual capital, CFL successfully navigates industry challenges and builds brand equity in the dynamic FMCG market. Consequently, CFL places significant importance on identifying, evaluating, and safeguarding its intellectual property assets, which go beyond the conventional boundaries and include activities such as brand development, innovative R&D, knowledge management, IT infrastructure, and fostering an innovative and sustainable corporate culture.

CFL's ability to swiftly adapt and respond to market changes is strengthened by its intellectual capital. Through continuous monitoring of customer trends, introducing new product innovations, and actively seeking customer feedback, CFL enhances its offerings and maintains a strong brand presence. The commitment to maximizing intellectual capital is a driving force behind CFL's growth and success, enabling the company to meet customer needs, expand its consumer base, and outperform competitors. The integration of R&D processes and advanced IT platforms showcases CFL's dedication to innovation and technological advancements. Furthermore, CFL's emphasis on cybersecurity aligns with its responsible business practices.

Strength of our Brands

Despite challenging circumstances and fierce competition, CFL brands delivered outstanding performance. The robust CBL corporate brand, along with the reputation of individual brands, cultivated customer loyalty. During the 2022/2023 period, CFL prioritized gaining market share, increasing household penetration, enhancing brand recall, and improving retail shelf visibility.

- ▶ The economic and political instability experienced through the review period has resulted in contracting consumer buying power and all CFL brands rallied to serve the consumer needs. In response to the market challenges brands worked towards establishing relevance to remain within consumer choices, introduced different pack sizes to remain affordable and improved availability in proximity stores.
- ▶ CFL's pricing strategy aimed to provide customers with both quality and value for their money.

Our brands have earned the trust and loyalty of diverse consumer segments by being responsible and reliable. This accomplishment can be attributed to their innovative approach, brand development efforts, and unwavering commitment to quality.

- ▶ Throughout the year, we have implemented various above-the-line communication initiatives, loyalty programs, and promotional activities to actively engage our consumers and strengthen our relationships with value chain partners.
- ▶ Retail audit measurements have indicated a noticeable increase in our market share, expanded distribution reach, and greater presence among retailers. The consumer track survey has demonstrated positive growth in crucial brand health parameters such as brand awareness, customer reach, preference, adaptability, and loyalty.
- ▶ In order to further enhance our market presence, we have executed a wide range of activations including events, below-the-line activities, and digital communications.



Activation numbers for the 2022/23 financial year are depicted below,

Brand	Events	No of Direct Contacts	No of Indirect Contacts
Lankasoy	528	274,800	824,400
Sera range	744	243,235	729,705
Sera Kottu	28	4,940	14,820
Nutriline	81	17,850	53,550
Tetos	19	8,250	24,750

Digital reach for the main two digital platforms (Instagram and Facebook) are depicted below,

Brand	Facebook	Instagram
Lankasoy	7,920,115	1,276,075
Sera range	3,540,000	150,000
Nutriline	2,579,820	207,816
Tetos	2,580,933	458,467



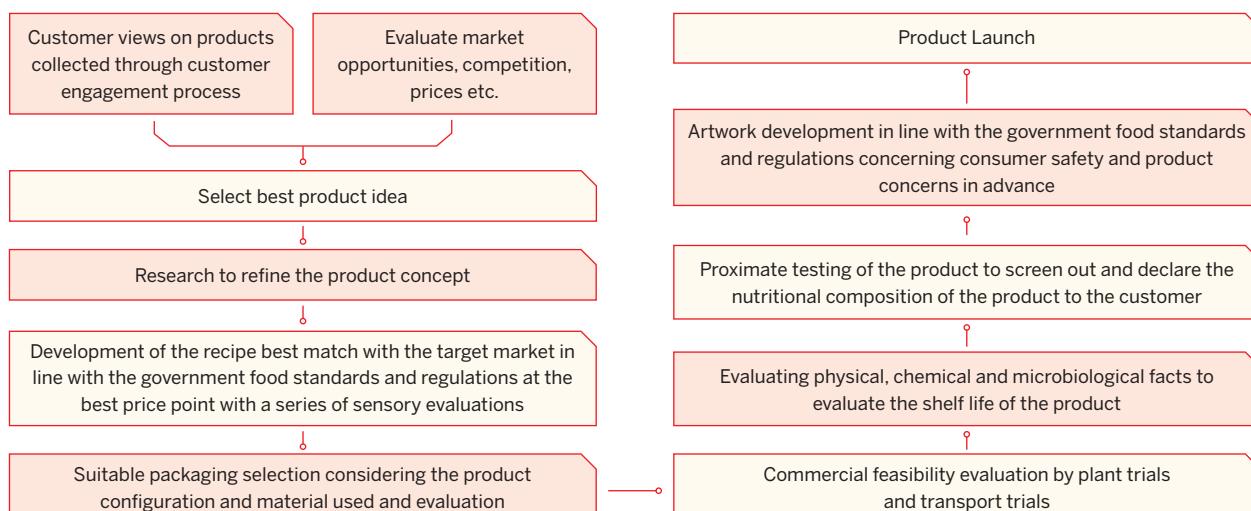
Strength of Our R&D

Product Development Process

We consistently engage in the development of our products by leveraging innovative ideas, market research insights, and knowledge acquired from experts in relevant fields.

- We recognize the value of our customers' insights and consider them of utmost importance. When developing and pricing our products, we take into account customer needs, preferences, nutrition benefits, convenience, and the aspiration to provide a healthy option.
- We prioritize meeting customer expectations regarding fair pricing.
- CFL demonstrates commitment to innovation through investments in R&D, technology, and innovative solutions.
- The company pioneer products, sets industry standards and has a dedicated R&D team for driving innovation and developing breakthrough solutions.
- Collaboration with research institutions enhances CFL's innovative potential.
- CFL follows a six-stage plan for efficient new product development.
- CFL maintains production efficiency and pushes boundaries.

Product Development Process



Intellectual Capital



CFL Lab

R&D Key Performance Indicators

Description	2022/23	2021/22
Investment in R&D	935,353	524,619
Number of existing products	108	105
Number of new products developed	03	10

Strength of Our Knowledge Management

With 32 years of presence in the market, CFL has accumulated valuable knowledge and experience that contributes to its intellectual capital.

- ▶ CFL recognizes the power of knowledge and has established systems and processes to capture, share, and utilize employee knowledge. This strategic approach helps CFL to maintain a competitive edge and effectively adapt to changes in the market.
- ▶ The company fosters a culture of open communication and collaboration, encouraging employees to share their expertise and experiences.

Investment in R&D

- ▶ CFL promotes both formal and informal knowledge sharing initiatives, such as mentorship programs, communities of practice, and internal networking events.
- ▶ These initiatives enable employees to learn from each other and tap into the collective wisdom of the organization. By actively capturing, sharing, and utilizing knowledge, CFL leverages its market experience to adapt, innovate, and continuously improve operations.

Strength of Our IT

CFL's IT strength is instrumental in providing a robust digital infrastructure that underpins the organization's information technology and operational capabilities. The IT and cross functional teams successfully executed digitalization and process improvement projects during the last financial year. These projects highlighted CFL's IT prowess and included:

- ▶ Development and deployment of advanced Sales Force automation solutions application to optimize sales operations and improve customer engagement.
- ▶ Launched Microsoft 365 application to integrate digital tools and platforms to enhance collaboration, communication, and information sharing across teams and departments.
- ▶ Continuous improvement of IT systems, networks, and applications to ensure high performance, reliability, and availability.

CFL's focus on leveraging its IT strength has driven digitalization initiatives and process improvements across the organization, further enhancing its competitive edge and positioning in the industry.

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



BoardPac : The information portal application was introduced to streamline the management sharing of documents and reports among board members for meetings and reviews. This solution simplifies the secure handling of documents, ensuring efficient collaboration within the board of directors.



eSignature: An electronic signature platform has been implemented to enable businesses to digitally sign, send, and manage documents, as well as automate agreements.



Virtual Desktop: This solution implemented to create a secure and efficient work-from-home platform, allowing employees to access their work environment and applications from anywhere. This solution prioritizes data security and compliance while providing flexibility and remote accessibility for employees.



Technical support: The implementation of the remote technical platform caters to IT professionals, help desk technicians, and system administrators, enabling them to carry out remote administration and support tasks. This platform offers a user-friendly interface, reliable performance, and a comprehensive range of features, effectively streamlining remote administration processes.



Helpdesk: The establishment of an IT Helpdesk ensures the provision of necessary facilities for incident and problem management. This Helpdesk includes features such as incident classification based on criticality, user department self-acknowledgment of processes, and a dashboard and incident log to effectively track all reported incidents to the IT department.

IT Security, Privacy, Cyber Security and Data Protection

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

CFL's Data Security Initiatives:

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

Strength of Our Organisational Culture

At CFL, we recognise the profound impact of our organisational culture on driving intellectual capital.

- ▶ Our culture thrives on fostering innovation, encouraging employees to think creatively, challenge norms, and explore new ideas.
- ▶ Collaboration is also integral to our culture, fostering cross-functional teamwork and knowledge sharing across departments and hierarchical levels. We actively promote collaboration to harness expertise and ideas, reinforcing the structural and systemic dimensions.
- ▶ Continuous learning lies at the heart of our culture, corresponding to the skills dimension. We provide various opportunities for professional development, including training programs, workshops, and access to educational resources. This commitment to ongoing learning ensures our employees remain equipped with up-to-date skills and knowledge, enabling them to contribute effectively to our intellectual capital.

Intellectual Capital Performance Metrics

CFL actively monitors key performance indicators (KPIs) to evaluate and enhance its intellectual capital. KPIs such as brand recognition, market share, innovation success rate, new customer count, customer retention, and complaints provide insights for performance assessment and improvement. CFL aims to maintain a strong brand presence, ensure employee satisfaction and engagement, and achieve successful innovation initiatives. By diligently tracking these KPIs, CFL assesses progress, identifies opportunities for growth, and makes informed decisions to bolster intellectual capital and stay competitive in the FMCG industry.

Way forward

By nurturing an innovative culture, fostering collaboration, and prioritizing continuous learning, we establish a robust organizational foundation that maximizes our intellectual capital and positions us for success in today's rapidly evolving business landscape.

Office 365 rollout and the training program

- ▶ Revolutionized operations for efficiency
- ▶ Robust document security
- ▶ Single collaboration tool for teamwork
- ▶ SharePoint as an intranet hub
- ▶ Secure and flexible access with Enterprise Mobility
- ▶ Reliable data protection via OneDrive
- ▶ Deep integration and control in Microsoft Windows
- ▶ Advanced threat protection with Defender.



Office 365 rollout and the training program



Social and Relationship Capital



Management Approach

The essence of a brand is embodied in its people, and CFL recognizes the importance of fostering meaningful and mutually beneficial relationships with its diverse stakeholders, including customers, suppliers, business partners, and communities. Throughout the year, despite facing numerous challenges, CFL remained dedicated to maintaining and strengthening these relationships, while also seeking new opportunities to expand its reach, commitment, and portfolio.

Number of Customers Served in 2022/23

The Company successfully catered to a significant number of customers during the period of 2022/23.

Here are some key highlights regarding customer reach:

► Lankasoy:

Lankasoy retained its market leadership position well ahead of the closest competition. This increase in market share showcases the strong presence and popularity of Lankasoy in the market, making it the leading choice for customers.

► Sera Spices:

Despite a highly competitive category with over 200 players, Sera Spices has secured the position of the 3rd market player. This accomplishment demonstrates the brand's success in capturing customer attention and establishing its reputation in the market, as reported by Retail Measurement Services in March 2023.

Through these achievements, the Company has been able to serve a substantial customer base and establish a strong foothold in the market. The growing market share of Lankasoy and the growing Sera Spices highlight the trust and preference customers place in the Company's products.

Customers Relationship,

CFL is dedicated to serving a diverse customer base, both locally and globally, spanning across B2C and B2B segments. The Company understands the importance of fostering strong relationships with customers, especially in the highly competitive FMCG sector. Building and expanding brand share remain fundamental objectives within CFL's business framework.

Customer relationships are prioritized at CFL, with a deep commitment to delivering uncompromising quality across all aspects of the company's operations. This commitment is evident in maintaining product integrity, ensuring customer satisfaction, engaging with the community, and demonstrating responsible environmental stewardship. By upholding these values, CFL aims to cultivate lasting and meaningful connections with its customers.



Sera Smart Kitchen ProFood Exhibition

Activities to Enhance Customer Relationships

CFL is dedicated to enhancing its relationship with customers and prioritizing their health and nutrition.

Key initiatives of sales and marketing, are as follows:

Initiative	Description
Expansion of Healthier Breakfast Options	CFL provides a range of healthier and convenient breakfast options catering to various age groups. These breakfast cereals have become popular among consumers within the very short period of time especially because it is a locally manufactured nutritious product range which enabled Nutriline to cater the vacuum created by import restrictions helping to bridge the nutrition gap among consumers and bridge the availability gap in the category. Due to the superior product quality the consumers have continued to stay with our brands.
Dominance in Soya Meat Market	CFL has revolutionized the soya meat market, emerging as the market leader. During the current economic challenges and protein sources became unaffordable Lankasoy built relevance to the category and its portfolio as a rich source of Protein that is affordable, accessible and enjoyed by the whole family. Through this campaign Lankasoy was able to remain relevant and provide much needed nutritional support to the households.
Inclusion of Sera Spices	CFL's brand portfolio expanded with the addition of Sera Spices, further solidifying the brand's presence in the market. This addition offers customers a wider range of high-quality spices to meet their culinary needs.

To foster stronger customer relationships, CFL has implemented the following key actions:

Key actions	Description
One-to-One Interaction	The Company engages in direct and personalized interactions with customers, ensuring their needs and preferences are understood and addressed.
Customer Service and Relationship Management	Dedicated teams are in place to provide excellent customer service and manage customer relationships effectively.
Social Media Engagement	CFL actively engages with customers through social media platforms, fostering interaction, and building a sense of community.
Brand Promotions	The Company conducts various brand promotions to raise awareness, generate interest, and reward customer loyalty.
Periodic Customer Satisfaction Surveys	CFL regularly conducts customer satisfaction surveys to gather feedback, understand customer experiences, and continuously improve their offerings.



Program to provide different recipes experience – Lankasoy

Through these initiatives, CFL aims to strengthen its bond with customers, deliver superior products, and create a positive and fulfilling customer experience.

Promoting Nutrition and Knowledge with Lankasoy

To address the knowledge gap among Sri Lankan consumers regarding the benefits of protein and the importance of consuming soya, Lankasoy conducted customer surveys. These surveys highlighted the need to educate the public about the nutritional value of protein, especially with regard to plant-based protein products. In order to communicate this knowledge effectively, Lankasoy implemented various activities:

Engaging Campaigns:

The brand collaborated with leading newspapers and digital channels to launch a series of campaigns. These campaigns aimed to engage and educate the target audience, as well as the wider population.

Educational Articles:

The campaign commenced with a series of educational articles published in newspapers and online platforms. These articles covered a range of topics, including the importance of including protein in daily diets, the benefits of soya protein, the comparison between animal and plant proteins, the role of textured soy protein (TSP) in preventing cancer, the nutritional and medical properties of soya protein, the high protein content of soya beans, and dispelling myths about soya. Professional experts in the field were consulted to provide accurate and reliable information for these articles.

Social and Relationship Capital

Empowering informed decisions:

The article series aligned with Lankasoy's commitment to affordable nutrition, guiding the target audience in making better-informed decisions about their health and dietary choices. As a responsible and ethical brand, Lankasoy prioritizes innovation and quality. The brand strives to provide loyal consumers with an affordable and reliable source of protein, emphasizing its commitment to supporting consumers' nutritional needs. Through these initiatives, Lankasoy aims to educate consumers about the nutritional benefits of soya protein and position itself as a trusted and knowledgeable brand in promoting healthier dietary choices.

Customer Satisfaction

Building strong brand loyalty is a vital aspect, and Lankasoy has consistently demonstrated its dedication and commitment to meeting customers' needs. Throughout the years, Lankasoy has continuously strengthened its brand loyalty by prioritizing customer satisfaction. By ensuring that customers' expectations are met at every turn, Lankasoy has successfully fostered a loyal customer base.

Another remarkable trait of the brand is its ability to adapt to the evolving needs of customers. This adaptability has been a key factor in its success, resulting in an impressive adoption rate of over 90% and a significant overall awareness level of over 85%. Lankasoy's commitment to meeting customers' changing preferences and demands has solidified its reputation as a brand that understands and responds to its customers. Overall, Lankasoy's emphasis on customer satisfaction, coupled with its ability to adapt to customers' needs, has enabled it to rise to prominence in the Soya Meat category. By consistently delivering nutritious options and ensuring customer satisfaction, Lankasoy has earned the trust and loyalty of its customers.

Handling Customer Complaints

To effectively address customer complaints, CFL has established a dedicated Quality Assurance Department, overseen by a Quality Assurance Manager. When a complaint is received, it is recorded in the Customer Feedback/Product Complaints Register and then transferred to a Customer Feedback/Product Complaints report for further action.

Complaints are promptly handled within 24 hours by CFL's Territory Sales Officers, who are operationally located across the country. Depending on the nature of the complaint, an Area Sales Manager may intervene and personally visit the consumer. Alternatively, the matter may be escalated to a Quality Assurance Officer for resolution. In addition to complaints, other forms of customer communication classified as feedback are managed by the relevant Brand Managers. These feedbacks are carefully reviewed and considered in the monthly management review meetings. CFL takes necessary remedial actions to address the concerns raised and ensures that appropriate measures are implemented to prevent recurrence. By diligently managing customer complaints and feedback, CFL demonstrates its commitment to customer satisfaction and continuous improvement. The company strives to address customer concerns in a timely manner, enhance product quality, and foster a culture of proactive customer service.

Supplier Relationship

CFL follows a systematic approach in evaluation and rationalization of suppliers to ensure product quality, on-time delivery, and reliability to have an efficient supply chain while maintaining strong business relationship with its suppliers.

The key activities of managing supplier relationship, are as follows:

Key activities	Description
Annual evaluation of existing suppliers	CFL conducts annual evaluation of its existing suppliers, assessing factors such as product quality, on-time delivery, and reliability. The procurement and quality teams provide recommendations for improvement based on the evaluation results.
Supplier Selection and Audits	Prior to engaging with a supplier, CFL conducts supplier audits through site visits and one-on-one discussions. These audits evaluate the suppliers' manufacturing quality and standards, as well as their compliance with social, legal, and environmental requirements.
Discontinuation of suppliers	If a supplier does not meet the quality requirements and required food manufacturing standards/certifications, CFL may discontinue their engagement. However, CFL actively engages with such suppliers to develop their standards by providing necessary support and guidance.
Periodic monitoring	The procurement team regularly monitors market rates to ensure competitive pricing. The final purchasing decision is awarded to the supplier that offers the best product quality, cost, and delivery lead times. The procurement team negotiates purchase rates, resulting in a comparative reduction in purchasing costs. However, the volatile market situation and inconsistent purchase patterns pose challenges in consistently realizing cost benefits.

Mitigating Supply Chain Delays

CFL has implemented the following key actions to mitigate the risk of delays in the supply chain:

Key actions	Description
Consideration of delivery lead times	When making the final purchase decision, CFL takes delivery lead times into account. Suppliers with shorter lead times are preferred to ensure timely delivery of goods.
Sharing delivery plans	Proactively shares delivery plans with suppliers in advance, providing them with sufficient time to plan, process, and deliver the goods according to the schedule.
Constant follow-ups	Maintains regular communication and follows up with suppliers to minimize the risk of delays. This ensures that any potential issues or obstacles are addressed promptly.
Diverse supplier base	Maintains a diverse supplier base, with at least three suppliers for each item procured. This allows for flexibility and the ability to switch to alternative suppliers if any delays or issues arise.

By implementing these measures, CFL aims to establish strong relationship with suppliers, to ensure a smooth supply chain, and minimize disruptions to its operations.

Business Partners Relationship

CFL has developed strategic partnership with its business partners to navigate the volatile market conditions and ensure resilience. These partnerships are characterized by mutual understanding of the market dynamics and the importance of delivering innovative solutions promptly. CFL has devised plans and offered support to business partners during challenging situation, fostering trust and building strong relationship. These strategic partnerships have provided CFL with a competitive advantage and enabled the company to mitigate the impact of disruptions, ensuring a stable distribution and supply chain.

Category	Business Partners
Field Staff	<ul style="list-style-type: none"> ▶ Area Sales Managers ▶ Deputy Territory Manager ▶ Sales Supervisors ▶ Territory Sales Officers
Intermediary Parties	<ul style="list-style-type: none"> ▶ Banks ▶ Insurance Companies ▶ Stock Exchange
IT Partners	<ul style="list-style-type: none"> ▶ Software Providers ▶ Hardware Providers
Regulators	<ul style="list-style-type: none"> ▶ Industry-Specific Regulators (e.g., Food Safety Authorities) ▶ Government Institutions (e.g., Ministry of Health) ▶ Auditors (External & Internal Audit Firms) ▶ Association Memberships Providers (e.g., Food Industry Associations)
Other Business Partners	<ul style="list-style-type: none"> ▶ Consultancy Providers (e.g., Tax Advisors, Supply Chain Consultants) ▶ Utility Providers (Electricity, Water, Security, Sanitary Facilities) ▶ Media Partners Advertising (Agencies, PR Agencies) ▶ Courier Service ▶ Other Suppliers (Packaging Material Suppliers, Raw Material Suppliers)

Social and Relationship Capital

Product Responsibility

CFL places utmost importance on the quality of its manufactured products, which is a fundamental value within the CBL Group. The company is dedicated to delivering exceptional value and satisfaction to its customers through its wide range of offerings. As pioneers in the manufacturing of textured soy protein, CFL also produces a diverse range of convenient food products, including spices, ready-to-eat extruded snacks, breakfast cereals, soup mixes, and instant kottu.

Compliance Certifications



SLS 898: 2017 (Specification for Textured Soy Protein)

Scope: This is a product certification and assures the product is complying with the specifications declared under the SLS 898:2017 standard. Product quality is assured by this certification.



SLS ISO 9001: 2015 (Quality Management System Certification)

Scope: This risk based proactive approach ensures all the processes are smoothly aligned to achieve the ultimate customer satisfaction on quality. The performance of every process is periodically reviewed and continually improved.



ISO 14001:2015 (Environmental Management System)

Scope: This system enhances the company's environmental performance & contributes to the environmental pillar of sustainability.



ISO 22000:2018 (Food Safety Management System (FSMS))

Scope: This system ensures the food safety status of the products being manufactured. This is also a risk based preventive approach. And the system is continually reviewed and updated by evaluating internal and external changing factors.



GMP (SLS 143 : 1999)

Scope: By this certification manufacturing processes are assured to be on par with Sri Lanka standards on codes of practice available in the related discipline and SLS 143.



HACCP (Hazard Analysis and Critical Control Points System)

Scope: This is a system that analyzes the physical, biological & chemical hazards which may impact the food safety nature of the product and eliminate them throughout the supply chain.



HAC (Halal Accreditation Council)

Scope: This certification ensures that the products that are manufactured comply with the Halal certification terms & conditions and standards of HAC.

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

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

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

Key activities	Description
Stringent Quality Assurance	Raw materials and packaging materials undergo rigorous checks upon receipt, following globally accepted test methods.
Hygiene Practices	Stringent hygiene practices are enforced within CFL's manufacturing process to maintain product safety.
Employee Training	Employees receive regular training on Good Manufacturing Practices (GMP) to ensure proper handling of food products.
Laboratory Testing	A dedicated laboratory conducts necessary tests to ensure compliance with food safety standards.
Microbiological Tests	Qualified microbiologists perform microbiological tests to check for contaminants such as total plate count, yeast & molds, coliforms, E. coli, and Salmonella.
Aflatoxin Testing	ELISA technique is used to test of aflatoxins, including critical types such as aflatoxin B1.
Continuous Improvement	CFL strives to enhance both product and packaging quality to ensure customer satisfaction.



Sri Lanka Food Processors Association



Industrial Association of Sri Lanka (IASL)



The Employers' Federation of Ceylon (EFC)

Lanka Confectionery Manufacturers' Association (LCMA)

Social and Relationship Capital

Community Development

Lankasoy Community Kitchen – The economic instability which plagued the country crippled the income source of many. This resulted in food scarcity and price increases which created a domino effect resulting in hunger for many people. This being the landscape, numerous community kitchens began to sprout up in the hope of eliminating hunger. The "Voice for Voiceless Foundations" is one such initiative which was based on donations and volunteer cooking within communities. Lankasoy has played an active role in this community project to provide healthy meals for the needy during Sri Lanka's worst crisis in decades.

Ruhunu Maha Katharagama Devale Perahera (CSR project) – This well-known religious observance is embarked upon by many. Lankasoy too joined in this activity with the provision of safe drinking water to the pilgrims coming on the "Paadha Yathra", making their way from the North and East of the country. In addition, Lankasoy conducted a BTL activation at Kochipathana, which enabled an untapped customer segment, to taste and enjoy the unique goodness and taste of Lankasoy products.

Sera Diriya CSR Initiative – Sera, demonstrated strong community engagement through its dedicated CSR arm, "Sera Diriya." This initiative empowers women, supports small businesses, and conducts knowledge forums. The program was launched at Convenience Foods (Lanka)

PLC and collaborated with the National Institute of Health Sciences for the "Surakshitha Purawara" program. Sera also focused on enhancing its market presence through various activations, events, and digital communications to increase awareness and engagement among the target audience.

Consumer Engagement and Promotions

Brand wise key marketing activities performed during the period, are as follows:

Brand	Key activities
Tetos	<ul style="list-style-type: none"> ▶ Venture into Cinema Channels, creating visibility and awareness through a digital-led activation at Scope Cinemas. ▶ Forge strategic partnerships with youth-led organizations for sampling initiatives to raise awareness among the youth demographic. ▶ Introduce the concept of 'Tetos with Dips' to showcase the versatility of the snacks and encourage consumers to mix and match them with various dips.
Sera	<ul style="list-style-type: none"> ▶ Execute impactful campaigns through diverse channels, including the 'Sera Smart Kitchen' Mobile Truck and the 'Sera Smart Kitchen' cookery program on a leading TV channel. ▶ Establish partnerships with select radio channels for regional activations. ▶ Target MT customer bases through activations in leading supermarket chains and digital avenues.
Lankasoy	<ul style="list-style-type: none"> ▶ Engage in area-centric activations such as Radio programs and seasonal events. ▶ Participate in the Community Kitchen project by "Voice for Voiceless Foundations" to provide healthy meals to those in need during challenging times.
Nutriline	<ul style="list-style-type: none"> ▶ Implement a wet sampling strategy focused on the cross-modern trade channel in collaboration with key brand partnerships.

Way Forward

At CFL, we recognize the importance of obtaining a social license to operate, which can only be earned by fostering cooperation with the local community and sharing our prosperity. We firmly believe in making a positive impact on the communities surrounding our manufacturing operations.



Lankasoy Community Kitchen - Community Development



Tetos - Youth Affiliations



Sera Diriya



Natural Capital



Management Approach

Convenience Foods (Lanka) PLC, the pioneering manufacturer of Textured Soya Protein (TSP) in Sri Lanka, has consistently recognized the value of nature and integrated environmental considerations into its business ecosystem. The company has implemented a robust environmental management system, in line with ISO 14001 certification, to ensure responsible treatment of the environment.

CFL has gone beyond conventional practices and become a corporate leader in advocating for environmental conservation and climate change adaptation. With a dedicated focus on environmental restoration and protection, CFL actively addresses opportunities and challenges related to the environment throughout its value chain. Furthermore, the company is committed to supporting both national and global conservation commitments. CFL places great emphasis on environmental education and promotes best practices in biodiversity conservation, emission management, and addresses the impacts of climate change. Through these efforts, the company strives to create awareness and propagate sustainable practices that contribute to the preservation of the environment.

Enhancing Environmental Sustainability

Since its establishment, CFL has prioritized the well-being of both people and the planet in its operations. As a key player in the production of the pioneering brand of Textured Soya Protein (TSP) in Sri Lanka, CFL goes the extra mile to protect and preserve the environment. Even before the widespread adoption of ethical and sustainable practices, CFL recognized the significance of integrating sustainability into its business plan. Guided by a environmental management policy, CFL is dedicated to upholding its environmental commitment in full compliance with the ISO 14001:2015 Environmental Management Systems.

The company takes a proactive approach to address various areas of importance within its Environmental Management System, as illustrated below:

Sustainability Integration: CFL understands the importance of integrating sustainability into its business practices and has taken steps to incorporate sustainability agendas into its core operations.

Compliance with ISO 14001: CFL ensures that its environmental management practices adhere to the requirements and standards set by the ISO 14001:2015 certification, demonstrating its commitment to environmental responsibility.

Environmental Protection: CFL recognizes the significance of safeguarding the environment and takes measures to protect natural resources and minimize any adverse impacts resulting from its operations.

Priority Areas: CFL focuses on key areas such as waste management, energy efficiency, water conservation, and emission reduction to mitigate its environmental footprint.

Continuous Improvement: CFL strives for ongoing improvement in its environmental performance by regularly reviewing and enhancing its practices, policies, and procedures.

By emphasizing the integration of sustainability, complying with international standards, prioritizing environmental protection, and pursuing continuous improvement, CFL demonstrates its

strong commitment to environmental responsibility and contributes to a more sustainable future.

The Company maintains a cohesive approach to its environmental management system, with each department actively contributing to the environmental agenda. Ongoing initiatives such as Resource Efficiency and Cleaner Production (RECP) and Sustainable Consumption and Production (SCP) further reinforce the Company's commitment in this area. The Company also focuses on packaging developments to promote sustainable practices, including sustainable energy usage, waste reduction targets, and the monitoring of environmental parameters.

Key initiatives in environmental management include: The Company prioritizes increasing energy efficiency, monitoring energy usage, and implementing measures to reduce energy consumption.

Water Management: Water conservation is a significant focus, aiming to reduce water consumption and explore opportunities for water recycling.

Natural Capital

Waste Management: The Company aims to reduce material consumption and actively promotes recycling and reuse of materials. Sustainable Cleaner Production (SCP) practices are effectively implemented in waste management.

Emission Management: The Company is dedicated to reducing emissions, effluent, and waste generation, implementing measures to minimize its environmental impact.

Ethical behavior is a fundamental principle of the Company, going beyond mere profit maximization. The Founder's commitment to human service is evident in the Company's efforts towards humanity and conservation. CFL Conservation plays a crucial role in extending the Company's environmental agenda beyond its own operations, focusing on education, and safeguarding the natural capital within the supply chain. It is worth noting that there were no instances of noncompliance with environmental laws or regulations during the reviewed year, further highlighting the Company's commitment to environmental stewardship.

Energy Management

Our approach to energy management is based on the Company's focus on absolute reduction of emissions. As a Company, we continue to drive concerted efforts towards reducing consumption of energy from non-renewable sources. Energy consumption for the year under review reduced by 2.3%, reflecting our ongoing efforts to enhance energy efficiency through investments in new technology and process improvements.

Energy efficiency initiatives include:

- ▶ Insulation of steam line at multiple locations.
- ▶ Periodically monitoring of compressors to optimise their performance.
- ▶ Introduced energy related KPIs for continuous monitoring.
- ▶ Introduced energy efficient motors, LED lights, skylights, and machine modification for lower energy consumption.
- ▶ Provided awareness/training sessions for employees.
- ▶ Boiler efficiency is being monitored annually and necessary corrective actions implemented to improve efficiency.

Emissions and Climate Change

We are conscious of our impact on climate change and have directed our efforts to reduce our carbon footprint in a sustained manner. Emissions are managed through the Company's continued efforts towards enhancing energy efficiency and reliance on renewable energy. Continuous monitoring has enabled us to meet our goals thus far. Monitoring is carried out in the following areas as described below:

- ▶ Monitoring the boilers periodically (Annually)
- ▶ Monitoring of ambient air quality
- ▶ Monitoring noise levels (Annually)
- ▶ Monitoring of Dust levels

Water Management

CFL's water consumption is limited to cleaning of manufacturing and operational units, drinking and sanitation requirements of employees - as the company's core operations of manufacturing and packing is not largely water-intensive. Thus, water is sourced primarily through the National Water Supply and Drainage Board and ground water to a lesser degree. We strive to maintain a 'Clean Water and Sanitation' policy, which calls for improving water quality by reducing pollution, and substantially increasing water use efficiency.

Water Consumption

As a responsible corporate, we are conscious of the intensity of our water footprint and responsibilities towards the sustainability of freshwater resource.

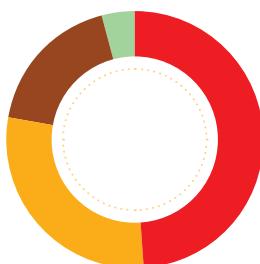
Water Usage	2022/23	2021/22
Water		
Withdrawal - No. of units m3	*14,895	13,954

(*Water consumption has experienced an increase as a result of construction activities.)

We are committed to continuous progress against the six core elements of stewardship and in doing so understand and manage our own water risks. Our commitment lies in gradually diminishing the amount of water extracted for our operations by emphasizing proper water

Energy Type	Consumption	
	2022/23	2021/22
Electricity - KWh	2,407,670	2,464,775
Furnace Oil - Liters	123,433	141,811
Diesel - Liters	85,218	71,673
LPG - Kg	24,525	25,500
Direct (Scope 1-2) GHG Emissions		
Total Co ₂ emission Co ₂ e/kg production	0.24	0.24

Energy Usage



- | | |
|-------------|-----|
| Electricity | 49% |
| Furnace Oil | 29% |
| Diesel | 18% |
| LPG | 4% |

management. Mechanisms are currently in place to continuously monitor water consumption trends and identify areas for improving water efficiency. The following initiatives were continued during the year to better manage our water management footprint:

- ▶ Installation of in-house fabricated foot operating Taps by CFL Engineering Team.
- ▶ Added 1 litre water displacement device (2 plastic bottles of 500 ml) in the cisterns and periodically conduct leak tests.
- ▶ Conduct maintenance check-ups routinely to identify any leakages.
- ▶ Conducting regular awareness sessions, such as,
 - World water day celebrations on 22nd March – Held several key activations through digital channels such as intranet, video presentation factory TV campaigns on the theme of water conservation.
- ▶ Setting KPIs.

Water Discharge by Quality

The CFL facility includes a wastewater treatment plant ensuring that discharged effluents are channelled through the Water Boards waste treatment unit.

Waste Management

To ensure a responsible disposal of waste, CFL has adopted the 3R approach of Reduce, Reuse and Recycle along with other methods such as energy recovery, treatment, and disposal.

Given below are a list of initiative which were carried out during the year under review;

- ▶ Reduction of Raw material, packing material waste generation, reduce resource consumption.
- ▶ Segregation of wastages.
- ▶ Reusing and recycling of Poly sacks and other polythene, corrugated boards, and card boards, and used paper.
- ▶ Food waste is used to produce compost fertilizer through the "Mihiaru" project.

- ▶ Packing Material wastage is sent to the energy power plant and reducing the waste load redirected to landfilling.
- ▶ The engagement of waste materials recyclers has also had a double positive, in creating new employment opportunities for several small industries.
- ▶ Raw and packing materials are managed and used to an optimum due to;
 - Proper planning process through machine availability
 - Preventive maintenance
 - Minimizing change overs in machinery
 - Machine modification to reduce waste e.g. Cutter dye modification
 - Kaizen and cost and packaging optimization projects- e.g. Curry sachet size reduction

Ongoing Environmentally Friendly Initiates

Initiative	Description
PET Bottle Collection Project	An in-house PET bottle collection through Eco Friday Campaign is carried out. A total of 1,500 bottles approximating 50kg was collected. A similar exercise is carried out at SPAR Supermarkets, where bottles totalling 610 Kg was collected. The company has collaborated with Eco Spindles in recycling these bottles. They are manufacturing yarn and monofilament for household brushes.
Consumer Wrapper Collection	'CBL Haritha Piyawara' School project, is initiated in two schools to collect wrappers and PET bottles. Awareness session were conducted, to educate children on the importance of waste collection, recycling, and resource conservation.
PP board Collection Project	A program to collect and recycle Point of Sale Poster Boards, is yet another initiative which the company embarked on. A total of 890 PP Boards amounting to 235 Kg, went through this process.
Used Pen collection Project	The recycling of pens and markers is another project which the in-house team embarked on during the period under review.
Introduction of recyclable materials for soy packaging	The introduction of homogeneous material for triple laminating packaging is yet another initiative which took place during the year in order to enable the recycling of the packing material. This material underwent stringent recyclability-tests with the recycling company for melting and pelletizing. This will be implemented with further testing and improvements.
Home Gardening	As a preliminary step in preparing for the impending food crisis, Convenience Foods Team continue the home gardening campaign by providing vegetable seeds to the employees and conducted a competition among the employees. The best five home gardening participants were selected according to specific criteria. Further cultivation of vegetables in the factory premises is encouraged as well.



Home gardening campaign and competition

Natural Capital

Initiative	Description
PROMISE Project	<p>We have conducted RECP audits through National cleaner production centre under the PROMISE Project. Several initiatives were taken to reduce resource consumption and minimize wastages. Convenience Foods (Lanka) PLC has been honoured with the prestigious PROMISE Sustainability Awards 2023. The PROMISE Sustainability Awards event was held on the 30th of May 2023, at the Apollo Dimora Hotel, Trivandrum. This Award recognizes the sustainable best practices of FMCGs and the tourism sector. Applicants from Maldives, Sri Lanka and India applied for the Sustainability Awards, and an expert panel identified 6 winners from the 3 target countries.</p> <p>The Prevention of Marine Litter Lakshadweep Sea (PROMISE) program is supported by the European Union (EU) under the Switch Asia Program. The National Cleaner Production Centre is the Sri Lankan partner of this implementation.</p>
Environment Day celebrations 05 th June 2022	<ul style="list-style-type: none"> ▶ Video - To be aware of resource conservation Video – world environment day theme for all email users. ▶ Quiz Competition - Online quiz competition among the e-mail users of Food Cluster and winners were rewarded. ▶ Eflyer (TVs) & Emails - Waste collection campaign – Continues awareness through eflyers on waste collection and ECO Friday campaign.
SHEQ Week 2022	<ul style="list-style-type: none"> ▶ A Safety, Health, Environment, and Quality (SHEQ) management week was held in October 2022, which comprised the following: <ul style="list-style-type: none"> ▶ Quiz Competition ▶ Art Competition ▶ Awareness sessions on safety, health, environment and quality ▶ Fire Drill
Waste segregation	<ul style="list-style-type: none"> ▶ All wastes are properly segregated and sent for reuse and recycling purposes (such as used A4, Corrugated, Polythene, Sack Bags, Reel Cone, Plastic Thread Cone etc). Process waste was sent to animal feed, Food waste for composting.
Trees for life project	<ul style="list-style-type: none"> ▶ Embracing the theme "Save for Environment", our dedicated sales team has embarked on a remarkable tree planting project across retail outlets spread across the country. Since the beginning of 2019, this initiative has led to the planting of 8,196 trees till March 2023 and 1,659 trees and in 2022-2023. Our team also nurtures and cares for these trees and Some trees are already yielding.



Waste collection campaign



Quiz Competition - online quiz competition

Way Forward

We remain focused on delivering on our pledge for conservation and meeting the set goals. We are committed to establishing our targets and will explore further opportunities in transitioning the energy landscape to deliver on the Company's Net Zero ambition. We will also seek to minimise environmental impacts by driving efficiency, circularity and the safe disposal of waste and effluent discharge.

Our sustainability ambitions, for a cleaner and healthier world, address the ways in which we continuously improve our social and environmental performance through initiatives and deliver our impactful ambitions and targets.

**Upholding
integrity
and driving
accountability**



Board of Directors

The Board of Directors of Convenience Foods (Lanka) PLC consists of eight Directors during the financial year of 2022/23, with one Executive Director, four Non-Executive Directors and three Non-Executive Independent Directors.

Mr. R. S. A. Wickramasingha

Chairman

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

Mr. Wickramasingha serves as Chairman of all subsidiary companies of the CBL Group and possesses vast and varied experience in the food industry. He qualified in food technology at Borough Polytechnic, now known as the University of South Bank, UK and has led the group's continuous focus on product innovation and quality, with a passion for quality, Mr. Wickramasingha oversees all R&D, quality, manufacturing and procurement processes across the CBL Group. He is the Chairman of Ceylon Essence and Beverage Company and patron of the Lanka Confectionery Manufacturers Association.

Mr. E. T. De Zoysa

Managing Director/Executive Director

Mr. Thilanka De Zoysa possesses over 25 years of experience in General Management. He started his career in the plantation sector and has been with Soy Foods Lanka Ltd, now Convenience Foods (Lanka) PLC since 1996. He was appointed to the Board of CFL on 30th October 2002 and was appointed as the Managing Director of the Company with effect from 1st April 2011. Subsequently, he was appointed as CEO of the Food Cluster of the CBL Group with effect from 1st May 2020.

Ms. D. S. Wickramasingha

Non-Executive Director

Ms. Wickramasingha was first appointed to the Board of Soy Foods (Lanka) Limited (Now Convenience Foods (Lanka) PLC) in May 2000. She is the Group Managing Director of CBL Investments Limited and the Managing Director of Modern Pack Lanka (Pvt) Ltd. She also serves on the Board of Subsidiary Companies of CBL Investments Limited, JF&I Packaging (Pvt) Ltd and Food Revolution (Pvt) Ltd. Presently she is a member of the main committee of the Ceylon Chamber of Commerce, the EDB Advisory Committee on Processed Food and Beverages, the Board of United States- Sri Lanka Fulbright Commission and an alternate member of the Sun Movement Executive Committee.

She holds a MSc degree in Food Chemistry from Purdue University USA and a BSc in Food Science & Industry from Kansas State University, USA. She has an interest in the Functional and Healing properties of Food and has studied extensively on the subject.

Ms. N. K. Wickramasingha

Non-Executive Director

Ms. N. K. Wickramasingha is a Director of CBL Investments Limited and serves on the Board of some of the subsidiary Companies of CBL Investments Limited. She holds a BSc. Degree in Food Science from Purdue University, USA and is also CIM qualified. Ms. Wickramasingha joined CBL as a Management Trainee (R&D) in 1993 and worked across various management positions in the Company. Ms. Wickramasingha was appointed to the Board of CBL in 1999 and counts over 30 years of experience with the CBL Group.

Mr. L. J. M. De Silva

Non-Executive Director

Mr. L. J. M. De Silva Joined the Ceylon Biscuits Limited Group as Group Managing Director in October 1999 and completed 13 years with the Group. He was formerly the Managing Director of Delmege Forsyth & Co, Group Commercial Controller of Al- Futtaim Trading, Finance Manager of Reckitt & Colman, Finance Manager of Richard Pieris & Co. Ltd. and Group Accountant of Rowlands Group of Companies.

Presently, in addition to serving as a Non-Executive Group Director of CBL Investments Limited, he is also a Non-Executive Director of Convenience Foods (Lanka) PLC & Plenty Foods (Pvt) Ltd. Mr. De Silva is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and completed his articles at Turquand Young's (now EY) and qualified as a Chartered Accountant in June 1970.

Dr. D. M. A. Kulasooriya

Independent Non-Executive Director

Dr. D. M. A. Kulasooriya holds a BSc. Graduate from the University of Peradeniya. He holds a PhD in Lean management from JNTU India, an MSc in Management at the University of Sri Jayewardenepura, Postgraduate Training in Management at the Postgraduate Institute of Management and a Certification in Six Sigma Black Belt. He currently serves as the Director-General at the National Institute of Business Management and Possesses 26 years of experience in the field of Quality and Productivity Management and Design Thinking, 12 years of which dealt directly with Lean Six Sigma implementation and Data Analytics.

Mr. Udara Thilakawardana

Independent Non-Executive Director

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

Mr. M. S. Nanayakkara

Independent Non-Executive Director

Mr. Nanayakkara has over 30 years of extensive experience in both Public and Private Sector Organizations in external and internal auditing and management consultancy related roles. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (FCA) and an Associate Member of the Chartered Institute of Management Accountants (ACMA, UK). He holds a Master of Business Administration (MBA) degree from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, and a Bachelor of Commerce (B. Com) degree from the University of Colombo.

Mr. Nanayakkara was appointed to the Board as an Independent Director and is currently the Chairman of the Board Audit Committee. He functioned as the Senior Manager of Group Assurance and Advisory Services of SriLankan Airlines Ltd for 12 years. He is currently functioning as Senior Manager of Financial Services of Sri Lankan Airlines Limited.

Board Composition

Skills & Expertise

- Food Science & Chemistry
- Accounting, Auditing & Finance
- Corporate and Commercial Law
- Management & Marketing
- Manufacturing
- IT, Quality & Productivity Management

Power Balance



Executive Director



Non-Executive Director



Independent Non-Executive Director

Tenure



Above 15 years



Below 15 years

Gender



2



6

Corporate Governance Statement

Convenience Foods (Lanka) PLC has firmly established its governance philosophy and operating procedures since its inception, drawing upon the values inherited from its parent company. CFL is unwavering in its pursuit of the utmost standards of corporate governance, consistently striving to elevate and refine its governance practices, with a strong focus on transparency and the cultivation of a sustainable culture that fosters long-term value creation. The Board of Directors is dedicated to achieving the company's defined business objectives, upholding the highest levels of transparency and professionalism in all endeavors.

Board of Directors, Sub-committees and Management Committee

Convenience Foods (Lanka) PLC (CFL) is governed by a Board of Directors comprising eight (08) members. This includes one (01) Executive Director, four (04) Non-Executive Directors, and three (03) Non-Executive Independent Directors. The Board assumes overall responsibility and accountability for managing the company's affairs, ensuring the implementation of prudent risk management practices, and protecting stakeholder rights. To effectively carry out its duties, the Board has established several specialized committees, namely the Audit Committee, the Remuneration Committee, and the Related Party Transactions Review Committee. These committees are chaired by Independent and Non-Executive Directors and are entrusted with specific roles and responsibilities. For detailed information on the profiles of the Directors, as well as the functions and responsibilities of the committees, please refer to the corporate governance section of this annual report from page 74 to page 106.

Integrity and Compliance

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

I am pleased to report that throughout the period of 2022/23, there were no reported violations of the provisions outlined in the Code of Conduct and Ethics by any of the Directors serving on the Board. This highlights the commitment of the Directors to uphold the highest standards of ethical conduct and reinforces CFL's dedication to maintaining a robust governance framework.

Operational Control

The committees convene regular meetings to evaluate the execution of the Company's strategy, conduct performance reviews, and address pertinent matters on their agendas. These committees also assess the Company's long-term outlook, taking into consideration potential risks and opportunities. They deliberate on escalation

procedures and potential scenarios, while overseeing the achievement of key deliverables and key performance indicators. In cases where necessary, appropriate corrective actions are taken. For more detailed information, please refer to the governance section from pages 74 to 97.

Internal Controls and Risk Management

The Company has implemented robust internal control procedures to ensure the effectiveness and efficiency of its operations. The Board of Directors and committees have developed a systematic process for conducting regular internal audit reviews and managing risks to mitigate any potential adverse impacts. For more detailed information regarding the Company's internal control and risk management practices, please refer to the corresponding sections found on pages 33 to 37.

Declaration of Compliance

We are dedicated to upholding the interests of our stakeholders and continually enhancing the effectiveness of our governance practices. We are committed to adhering to the latest regulatory and statutory developments and ensuring compliance with the listing rules of the CSE (Colombo Stock Exchange). For specific details regarding our compliance with the listing rules, please refer pages from 92 to 97.

Furthermore, we have diligently complied with all statutory and regulatory requirements applicable to our operations. The extent of our compliance at CFL is detailed on page 85.

In addition to statutory requirements, CFL has voluntarily embraced the principles outlined in the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka. This code serves as a benchmark for sound corporate governance practices, and our compliance status can be found on pages 85 to 91 in this report.

R. S. A. Wickramasingha
Chairman

31st July 2023
Colombo

Corporate Governance

The Board of Directors of Convenience Foods (Lanka) PLC is committed to upholding the highest standards of Corporate Governance throughout the organization. Our dedication to Corporate Governance stems from our responsibility towards our shareholders, employees, customers, and other stakeholders. We strive to achieve our business objectives with utmost integrity and professionalism.

The Governance Structure

The Board

During the financial year of 2022/23, the Board of Directors of Convenience Foods (Lanka) PLC comprised a total of eight (08) Directors. This includes one (01) Executive Director, four (04) Non-Executive Directors, and three (03) Non-Executive Independent Directors. Our composition adheres to the mandate set forth by the Listing Rules of the Colombo Stock Exchange, which stipulates a minimum requirement of two or one-third of Non-Executive Directors to be Independent Directors. Detailed profiles of the Board of Directors can be found on pages 74 to 75.

Management Structure

The operational management function of Convenience Foods (Lanka) PLC is overseen by a team of Senior Managers who operate within the ethical framework established by the Board. Regular management review meetings are conducted, focusing on the performance and operation of the Senior Management team, with the guidance and supervision of the Board. During these meetings, the Board assesses the strategic direction, risk management, and other pertinent issues.

The Senior Management team, in turn, provides reports to the Board on the trends observed in Key Performance Indicators (KPIs). These KPIs are regularly discussed at internal weekly/monthly meetings and management reviews with sectional heads. This collaborative approach ensures effective communication and monitoring of organizational performance.

For a detailed understanding of the organizational structure, please refer to pages 80 to 81.

Core Principles of Our Governance Framework

At Convenience Foods (Lanka) PLC, our governance framework is built on the following core principles:

Leadership: We emphasize effective governance of our company's leadership. The Board of Directors assumes responsibility for setting the overall strategic direction of the organization. They delegate the execution of strategies to the executive management team and evaluate their performance accordingly.

Accountability, Transparency, and Assurance:

We uphold the principles of accountability, transparency, and assurance in our governance practices. This includes proper governance of our assurance framework and regulatory environment. We strive for operational effectiveness and ensure the completeness of our governance practices throughout the organization.

Stakeholder Engagement: We recognize the significance of stakeholder engagement in our governance framework. We actively participate in effective communication and management of stakeholders who are affected by our company's operations. By understanding and addressing their needs and concerns, we foster strong relationships with our stakeholders.

Independence: Our Board of Directors comprises a balanced mix of Independent and Non-Independent Directors. This composition ensures a diversity of skills, experience and vision. Our Directors fulfill their individual and collective responsibilities to maintain good governance and compliance, provide strong leadership to the company, and ensure accountability to our shareholders.

To gain an understanding of our corporate governance framework, please refer to the detailed illustration on page 79. It showcases how these core principles are implemented throughout Convenience Foods (Lanka) PLC to guide our governance practices effectively.

Composition of the Board of Directors

A significant majority of the Board, consisting of 7 out of 8 Directors, holds Non-Executive positions. This composition ensures that their perspectives and opinions carry substantial weight in Board discussions and decision-making processes. Furthermore, 3 out of the 8 Directors are Independent Non-Executive Directors, who provide unbiased judgment and are not influenced by the Company's interests.

To comply with the requirements of the Colombo Stock Exchange Listing Rules, each Non-Executive Director has submitted a declaration confirming their independence or non-independence. It is worth noting that the tenure of Mr. M. U. S. G. Thilakawardana, Dr. D. M. A. Kulasoniya, and Mr. M. S. Nanayakkara exceeds nine years. However, the Board

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affirms that their extended period of service does not compromise their independence and objectivity in fulfilling their duties as Directors. Based on the declarations submitted by these Directors, the Board has determined that they shall be classified as 'Independent' in accordance with the Listing Rules.

This approach ensures that the Board maintains a balance of experience, expertise, and impartiality, enabling effective governance and decision-making processes within the company.

Separation of the Roles of Chairman and MD/ (CEO)

To ensure a balanced distribution of decision-making power, authority, and accountability, the Board has implemented measures to separate the roles of Chairman and Managing Director. This structure ensures that no individual Board member possesses unrestricted authority within the Board. By appointing a separate Chairman and Managing Director/CEO, the company maintains a system of checks and balances, preventing any one individual from exerting excessive control over the Board. The specific responsibilities and duties of the Chairman and Managing Director/CEO are outlined in detail on pages 82 to 83 providing transparency and clarity regarding their respective roles within the organization.

Financial Acumen of the Board

The Board consists of several members who possess extensive financial expertise in areas such as Audit, Financial Reporting, and Corporate Finance. These individuals bring a wealth of knowledge and experience to the Board, enhancing its ability to make informed financial decisions and oversee financial matters effectively. Their strong financial acumen ensures robust financial governance and contributes to the overall financial health and stability of the company.

Independent Advice

Provisions are in effect to facilitate Directors in seeking professional guidance, which is covered by the Company's expenses upon their request. All Board members have the opportunity to consult with the Company Secretaries, P. W. Corporate Secretarial (Pvt) Ltd., to receive advice regarding relevant rules, regulations, and compliance obligations. In addition, tax-related advice has been sought

from EY, Chartered Accountants, throughout the review period, and opinions were obtained from the Employers Federation to ensure the Company maintains positive employee relations. These measures ensure that the Directors have access to necessary expertise and resources to make informed decisions and fulfill their responsibilities effectively.

Supply of Information

The Board enhances its decision-making capabilities by providing comprehensive information, including budgets, financial statements, market reports, and other relevant reports, in line with the meeting agenda. The Chairman ensures that all Directors are well-informed about the matters to be discussed and keeps them updated on the Company's developments. Through these briefings, the Board receives advice and guidance, enabling them to assess progress towards performance targets and ensure the accountability of the Senior Management team. This process is regularly reviewed by the entire Board to maintain effectiveness.

Furthermore, the Board emphasizes training and career development at all levels of the organizational hierarchy. This focus fosters a dedicated and empowered workforce, which contributes to the Company's value creation by driving continuous improvements in productivity, innovation, and overall performance excellence.

Relations with Shareholders and Financial Reporting

Shareholders are actively encouraged to participate in the Annual General Meeting (AGM), for which notice is provided in the Annual Report. The AGM agenda is included in the notice, and the Company complies with the prescribed notice period as per the Articles of Association. Shareholders are informed to attend the AGM and are advised to conduct thorough analysis or seek independent advice when making investment decisions.

To provide shareholders with comprehensive information, the Managing Director's Message, along with financial and non-financial information, is presented in the Annual Report. Additionally, interim accounts are submitted to shareholders and the Colombo Stock Exchange (CSE) on a quarterly basis. These reports offer shareholders a clear overview of the Company's performance throughout

the year. The Board is fully committed to maintaining transparency in disclosing both financial and non-financial information to shareholders.

Major Transactions

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

Directors' Remuneration

Apart from the one Executive Director who is involved with the operations of the Company on a full-time basis, other Directors receive a fee. Directors' remuneration, in respect of the Company for the financial year 2022/23 is disclosed on the page 105 .

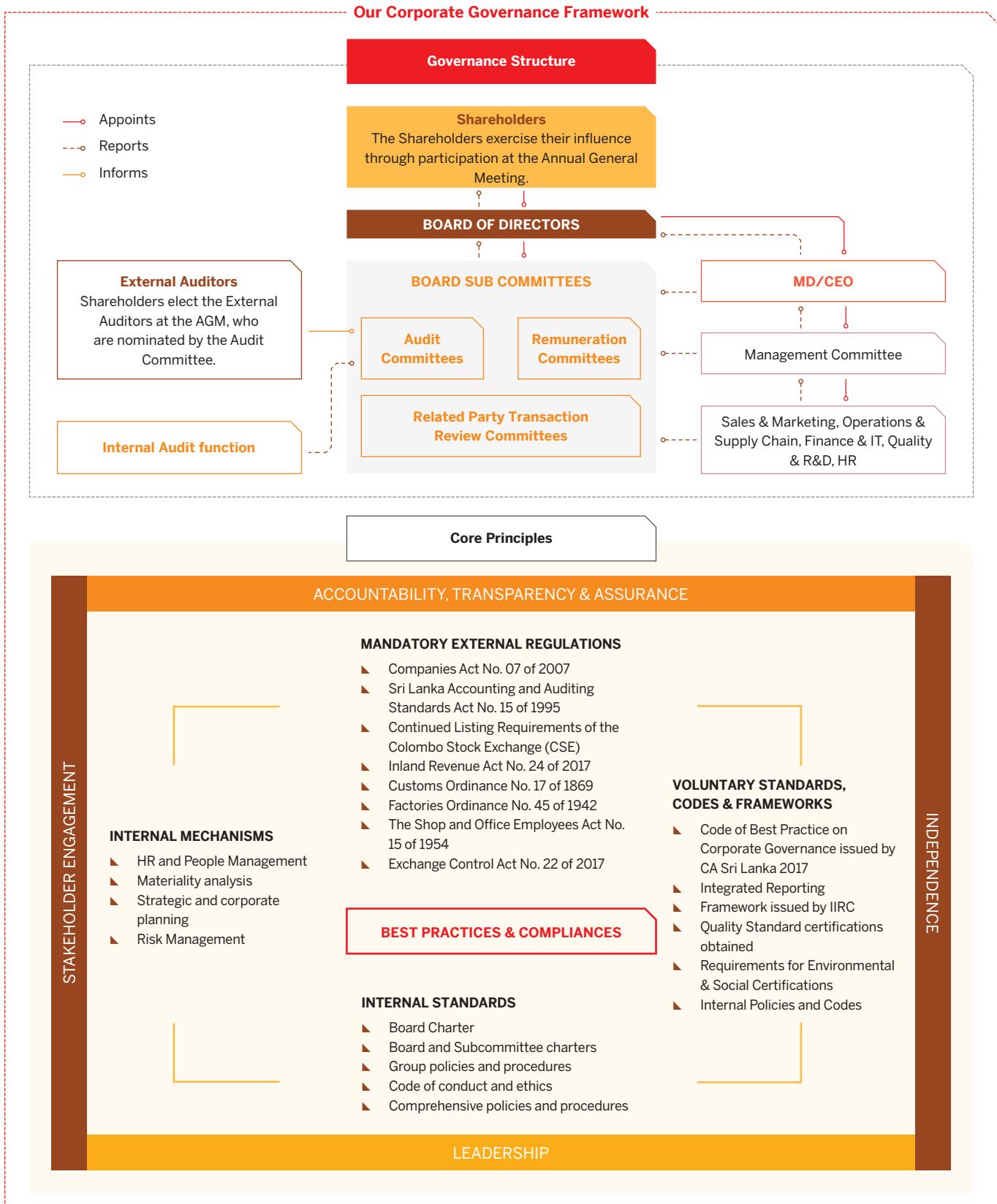
Internal Controls

The Board has the responsibility of establishing a robust framework of internal financial controls and continuously monitoring its effectiveness. This framework enables CFL to effectively manage business risks and ensure the reliability of financial information used for decision-making and disclosure purposes. Various policies related to areas such as stocks, debtors, purchases, budgeting, and financial investments are subject to continuous monitoring by the group internal audit function with the support from internal audit service from Messrs. EY.

Regular internal audits and system reviews are conducted, and the results are discussed with the Managing Director and General Manager - Finance of CFL. In cases where necessary, corrective measures are implemented, and discussions are held with the Audit Committee and the Board of CFL to address any identified issues.

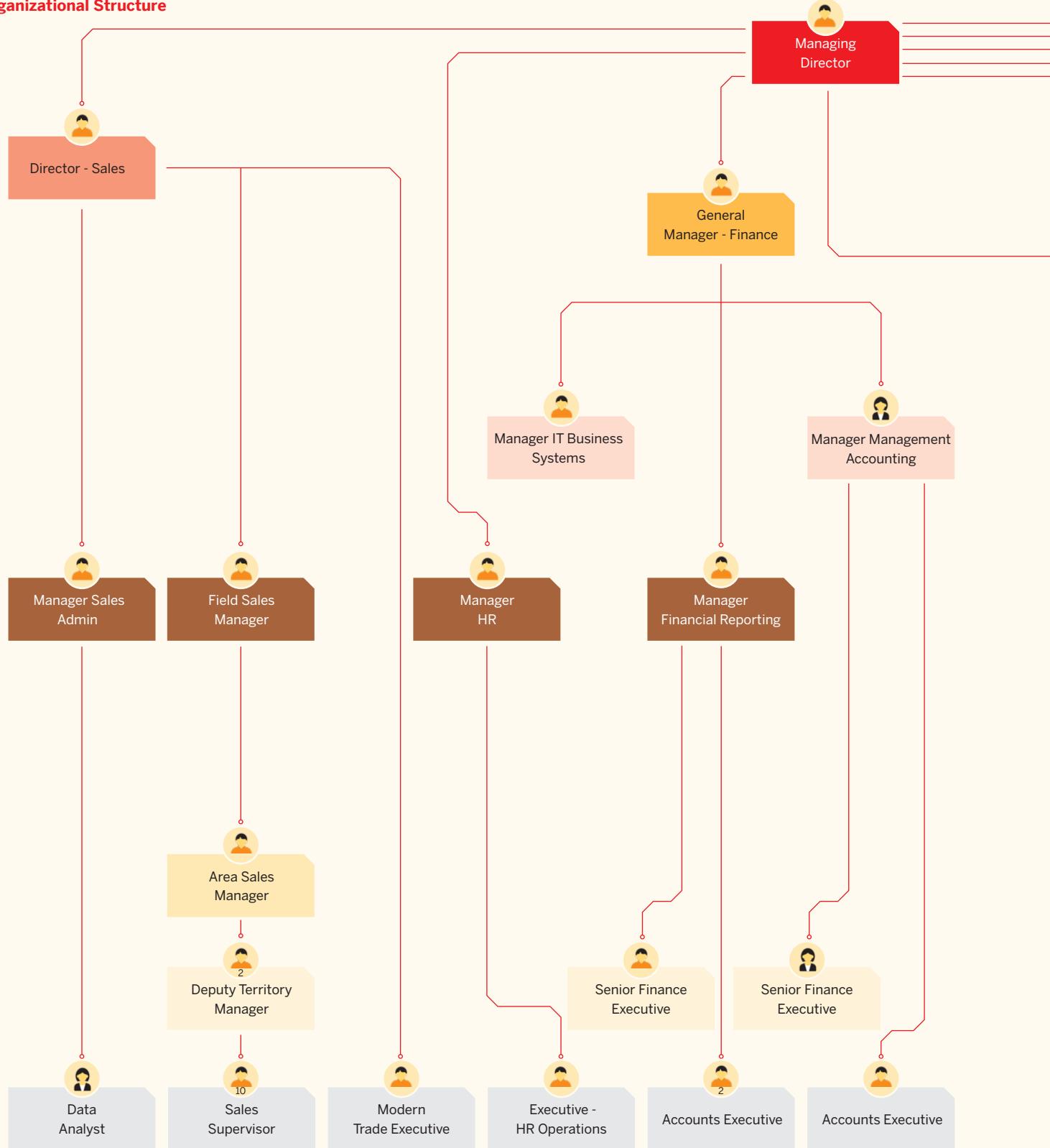
Going Concern

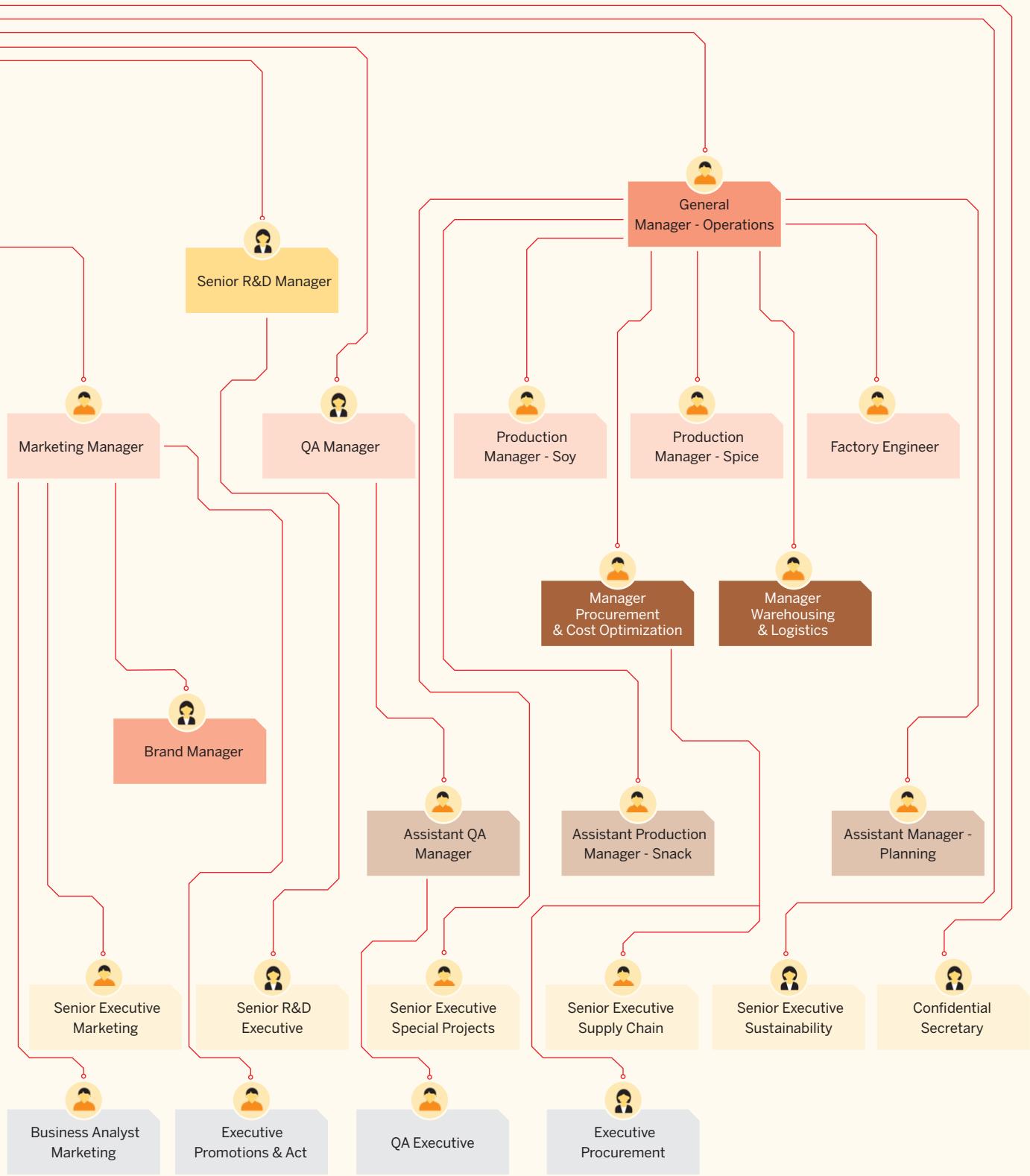
After conducting a thorough examination of the financial statements, conducting management reviews, and considering feedback from the Group's internal audit team, the Board has analyzed the annual budgets, capital expenditure, investment requirements, periodic cash flow forecasts, and the organization's liquidity indicators. Based on this comprehensive assessment, the Board is confident that the Company possesses an adequate cash flow to sustain its operations as a going concern in the foreseeable future.



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Organizational Structure





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Role of the Board

The Role of the Chairman	The Role of Managing Director	The Role of Independent Non-Executive Directors	The Role of Company Secretary
<ul style="list-style-type: none"> ▶ Demonstrates strong and impartial leadership to the Board. ▶ Facilitates the efficient and effective fulfillment of the Board's responsibilities. ▶ Ensures orderly and smooth functioning of Board meetings. ▶ Presides over Directors' and Shareholders' Meetings, ensuring active participation of Directors and adherence to proper procedures. ▶ Initiates self-assessment of the Board to enhance its effectiveness. ▶ Promotes and upholds the principles of good governance, acting in the best interest of the Company. <p><i>The Chairman of the Board Mr. R. S. A. Wickramasingha A full profile of the Chairman is available on page 74.</i></p>	<ul style="list-style-type: none"> ▶ Assumes leadership in implementing the strategic direction set by the Board of Directors. ▶ Manages the day-to-day operations of the Company. ▶ Reviews and supervises the execution of key initiatives aimed at achieving the Company's objectives. ▶ Guides the Executive Management team in accomplishing the corporate objectives defined by the Board and outlined in the Company's corporate plan. <p>The Managing Director Mr. E. T. De Zoysa A full profile of the MD on available on page 74.</p>	<ul style="list-style-type: none"> ▶ Serve as a source of impartiality and unbiased perspectives within the Board. ▶ Offer unbiased opinions and insights in situations where conflicts of interest may arise. ▶ Contribute valuable input in shaping the Company's strategy, drawing from their extensive and diverse experience and knowledge. ▶ Challenge and provide constructive support to the management team in assessing their performance. ▶ Enhance the corporate credibility of the Company due to their extensive leadership experience in diverse organizations. ▶ Contribute to improving governance standards by participating as members of Board sub-committees. <p><i>Three Independent Non-Executive Directors are serving on the Board of CFL: Mr. M. U. S. G. Thilakawardana Dr. D. M. A. Kulasooriya M. S. Nanayakkara Refer to page 75 for their profiles.</i></p>	<ul style="list-style-type: none"> ▶ Supports the Board by facilitating a smooth flow of information and ensuring timely communication. ▶ Ensures that meetings are conducted in compliance with the Articles of Association, the Board Charter, and relevant laws and regulations. ▶ Works closely with the management team to prepare Board papers, agenda, memoranda, and presentations for meetings. ▶ Takes responsibility for accurately recording and documenting the proceedings of the meetings in the minutes. ▶ Maintains the Company's statutory registers and files statutory returns in accordance with legal requirements. ▶ Acts as a liaison between the Company, regulators, and shareholders, fostering a healthy relationship. ▶ Assists in accessing legal advice in consultation with the Board when necessary. <p><i>Company Secretary for CFL: P W Corporate Secretarial (Pvt) Ltd.</i></p>

Responsibilities of the Board

	Responsibility	2022/23 Update
Strategic Decision	<ul style="list-style-type: none"> ▶ Setting Annual Budget & Strategic Objectives. ▶ Review of risk register and update new risk and agree mitigation actions. ▶ Effective use and discharge the duties of Board Sub - Committees. ▶ Sustainable Business Development initiatives to Company strategy and reporting. 	<ul style="list-style-type: none"> ▶ Annual Budget is reviewed by the Board, achievements monitored on a quarterly basis. ▶ Risk Register reviewed on a quarterly basis. ▶ Function wise accountability. ▶ The sub committees meet quarterly and functions are performed effectively. ▶ Strategic targets have set across the function including quality and innovation aspects.
Execution and Operating Governance	<ul style="list-style-type: none"> ▶ Guiding and providing input to the Corporate Management to execute their strategic duties. ▶ Operating effectiveness. ▶ Succession Planning. ▶ Evaluating of Capital and other projects and financial delegation. 	<ul style="list-style-type: none"> ▶ Annual operating plan reviewed monthly at the cluster Board for action plans. ▶ Standard Operating Procedures updated periodically. ▶ Next level leaders are identified. Development plans are assigned. ▶ Financial outcome of major capital projects is reviewed before approving to make sure the feasibility.
Continuous Monitoring	<ul style="list-style-type: none"> ▶ Monitoring execution of the Strategic Plan and risks faced by the Company. ▶ Monitoring the periodic financial performance published by the Company. ▶ Performance driven reward mechanism. ▶ Monitor specific objectives and targets. 	<ul style="list-style-type: none"> ▶ Cluster Board reviews on operations, performance and involve in strategic plan developments. ▶ Financial Performance, KPI and budget achievements are reviewed at the Board meetings. ▶ Variable performance targets are set and reward accordingly. ▶ Set KPI's are reviewed periodically and corrective actions are taken.
Reporting and Compliance	<ul style="list-style-type: none"> ▶ Complying with laws, governing body regulation and compliance certification and standards. ▶ Reporting to shareholders on their stewardship. ▶ Ensuring the integrity of financial information, internal controls, risk management and Business Continuity as well as code of conduct. ▶ Reviewing & approving interim and annual financial statements for publication. 	<ul style="list-style-type: none"> ▶ Compliance checklists are tracked and reviewed to make sure the compliance with legal and regulatory requirements. ▶ The Corporate Governance section includes aspects of shareholder's stewardship. ▶ Data integrity and controls over ERP is implemented to make sure timely and accurate information. ▶ Timely and transparent disclosure of the Annual Report information and Quarter Financial Statements.

Corporate Governance

Board Committees

The Board has appointed three (3) committees, namely the Audit Committee, the Remuneration Committee and the Related Party Transactions Review Committee as required by the listing rules to assist the Board. Their composition and roles are summarized below.

Board Committee & Composition	Role	Further Information
Audit Committee Comprises of three (3) Independent Non-Executive Directors. ► Mr. M.S. Nanayakkara (Chairman) (IND/NED) ► Dr. D. M. A. Kulsooriya (IND/ NED) ► Mr. M. U. S. G. Thilakawardana (IND/NED)	Oversight of financial reporting process in ensuring: ► The Integrity of financial statements in accordance with Sri Lanka Accounting Standards. ► Adequacy and the effectiveness of the internal control environment and the risk management system and performance of the internal audit function of the organization. ► Monitoring of compliance with the standards, laws and regulations. ► The External Auditor's Independence and performance.	The Report of the Audit Committee is published on pages no 103 to 104.
Related Party Transactions Review Committee Comprises three (3) Independent Non-Executive Directors and one (1) Executive Director. ► Dr. D. M. A. Kulsooriya (Chairman) (IND/NED) ► Mr. M. S. Nanayakkara (IND/NED) ► Mr. M. U. S. G. Thilakawardana (IND/NED) ► Mr. E. T. De Zoysa (ED)	Committee reviewed the related party transactions and their compliance and communicated the same to the Board.	The Report of the Related Party Transactions Review Committee is published on page no 106.
Remuneration Committee Comprises two (2) Independent Non-Executive Directors and one (1) Non-Executive Directors. ► Ms. N. K. Wickramasingha (Chairman) (NED) ► Dr. D. M. A. Kulsooriya (IND/ NED) ► Mr. M. U. S. G. Thilakawardana (IND/NED)	The committee focuses on and is responsible for ensuring that the Human Resource Management processes and remuneration policies are competitive to attract, develop and retain employees with professional, managerial and operational experts who can assume leadership roles in the organization to achieve the objectives of the Company.	The Report of the Remuneration Committee is published on page no 105.

Meeting & Attendance

The Board held four (4) Board meetings during the year and attendance at these meetings by Board Committee members & Board of Directors are provided below:

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

We have summarized CFL's dedication to adopting the Code of Best Practices on Corporate Governance and their level of compliance with the Listing Rules of the Colombo Stock Exchange into six sections, with the aim of providing convenience reference to our stakeholders.

Section:	Standard / Principle / Code	Covered Areas	Adherence
1 & 2	Code of Best Practice on Corporate Governance (2017) issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).	A. Directors B. Directors' Remuneration C. Relations with Shareholders D. Accountability and Audit E. Institutional Investors F. Other Investors G. Internet of things and cyber security H. Environment, Society and Governance (ESG)	Voluntary provisions - 2017 Code, to the extent of business exigency and as required by the CFL
3	Listing Rules of the Colombo Stock Exchange (CSE) - Section 7.6 - Contents of Annual Report	This reflects CFL's level of conformity to CSE's listing rules which must include in its annual report and accounts.	Mandatory provisions
4	Listing Rules of the Colombo Stock Exchange (CSE) - Section 7.10 - Corporate Governance	► Non-Executive Directors ► Independent Directors ► Disclosures relating to Directors ► Remuneration Committee ► Audit Committee	Mandatory provisions
5	Listing Rules of the Colombo Stock Exchange (CSE) - Section 9 - Related Party Transactions	► Non-recurrent Related Party Transactions ► Recurrent Related Party Transactions ► Related Party Transaction Review Committee ► Disclosure by the Board and the Committee	Mandatory provisions
6	The Companies Act No.7 of 2007	► Companies Act No. 7 of 2007	Mandatory provisions

Section 01 & 02: Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Ref. ICASL Code	Corporate Governance Principle	In-line with principle	Compliance and Implementation
A.	Directors		
A.1	The Board		
A.1.1	Board Meetings	Yes	The Board meetings are held on a quarterly basis and attendance of the meetings is provided on page no 84.
A.1.2	Board Responsibilities	Yes	The Board is responsible for the supervision and management of the Company's business and affairs, which includes ensuring that the policies and practices of the organization are in full compliance with the established corporate governance framework of the Company.
A.1.3	Act in accordance with the laws of the Country	Yes	The Board collectively, and Directors individually must act in accordance with the laws as applicable to the Company. Directors have the power to obtain independent professional advice where necessary.
A.1.4	Company/Board Secretary & Availability of Insurance cover for Board, Directors & Key management personnel	Yes	All Directors have access to the advice and services of the Company Secretary as required.
A.1.5	Independent judgment of the Directors	Yes	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.

Corporate Governance

Section 01 & 02: Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Ref. ICASL Code	Corporate Governance Principle	In-line with principle	Compliance and Implementation
A.1.6	Dedication of adequate time and effort	Yes	All Directors of the Company dedicate adequate time and effort to fulfil their duties as Directors of the Company in order to ensure that the duties and responsibilities are satisfactorily discharged.
A.1.7	Calls for Resolutions	Yes	One third of the Directors can call for a resolution to be presented to the Board if deemed necessary.
A.1.8	Training for new and existing Directors	Yes	The Board reviews on the training and development needs of the Directors and are provided guidelines on general aspects of directorships and industry specific matters.
A.2 Chairman and Chief Executive Officer (CEO)			
A.2	Segregation of roles of the Chairman and Managing Director/(CEO)	Yes	The positions and functions of the Chairman and the Managing Director have been separated.
A.3 Chairman's Role			
A.3	Chairman's Role	Yes	The Chairman facilitates the effective discharge of Board functions.
A.3.1	Conduct of Board Meetings	Yes	The Chairman ensures the Board governance and conduct of meeting as stipulated.
A.4 Financial Acumen			
A.4	Availability of financial acumen	Yes	The Board comprises of two Chartered Accountants. One of them serves as chairman of the Audit Committee. Mr. M. S. Nanayakkara, Independent Non-Executive Director (IND/ NED): FCA (ICASL), ACMA (UK), MBA (PIM) Mr. L. J. M. De Silva, Non-Executive Director (NED): FCA (ICASL)
A.5 Board Balance			
A.5.1	Presence of Non-Executive Directors	Yes	The Board consists seven (7) Non-Executive Directors and one (1) Executive Director on its Board as at 31 March 2023. Please refer pages 74 and 75 for the profiles of the Directors.
A.5.2	Independent Non-Executive Directors	Yes	Three (3) out of seven (7) Non-Executive Directors are Independent. Three (3) Non-Executive Directors are determined to be independent by the Board of Directors.
A.5.3/ A.5.5	Independence of Non-Executive Directors	Yes	Three (3) out of seven (7) Non-Executive Directors were Independent as at 31st March 2023. Please refer pages 74 and 75 for the profiles of the Directors.
A.5.4	Annual Declaration of Directors	Yes	Annual declarations citing their independence are obtained annually.
A.5.6	Alternate Directors	N/A	Not Applicable.
A.5.7 & A.5.8	Senior Independent Director & Confidential Discussions with Senior Independent Director	N/A	This is not applicable as the Chairman and Managing Director/(CEO) is not the same person.
A.5.9	Chairman's meeting with Non-Executive Directors	Yes	The Chairman meets with the Non-Executive Directors without the presence of Executive Director, as necessary.
A.5.10	Recording of concerns in Board Minutes	Yes	Matters arising from the Board meeting is minuted and concerns raised by the Directors recorded in the Board Minutes timely with adequate details.
A.6 Supply of Information			
A.6.1	Management obligation to provide appropriate and timely information to the Board	Yes	The Board was provided with timely and appropriate information by the management by way of Board papers, Board memos and proposals.

Section 01 & 02: Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Ref. ICASL Code	Corporate Governance Principle	In-line with principle	Compliance and Implementation
A.6.2	Adequate time for effective Board Meetings	Yes	The minutes, agenda and papers are circulated in advance to facilitate its effective conduct.
A.7 Appointments to the Board			
A.7.1	Nomination Committee	N/A	No recent new Director appointment or resignations took place at CFL.
A.7.2	Assessment of Board Composition by the Nomination Committee	N/A	No recent new Director appointment or resignations took place at CFL.
A.7.3	Disclosure of New Appointments	Yes	No recent new Director appointment or resignations took place at CFL.
A.8 Re-Election			
A.8.1 & A.8.2	Re-election of Directors	Yes	This is performed as per Articles of Association.
A.8.3	Resignation	Yes	In the event of resignation, a letter of resignation to be submitted by the Director. This will be tabled at the Board meeting.
A.9 Appraisal of Board Performance			
A.9.1 & A.9.2	Appraisal of Board and its committees	Yes	The Board undertakes an annual self-evaluation of its own performance and of its Committees.
A.9.3	Evaluation at re-election	Yes	The Board reviews the participation, contribution and engagement of each Director at the re-election.
A.9.4	Disclosure on performance evaluation criteria	Yes	The Board conducts an annual self-assessment of its performance against predetermined targets set at the beginning of the year.
A.10 Disclosure of Information in Respect of Directors			
A.10.1	Profiles of the Board of Directors and Other related Information	Yes	Please refer pages 74 and 75 for the profiles of the Directors.
A.11 Appraisal of Chief Executive Officer (CEO)			
A.11.1 & A.11.2	Evaluation of the performance of the Managing Director/(CEO)	Yes	Prior to the commencement of each financial year, the Board sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company
B. Directors' Remuneration			
B.1 Remuneration procedure			
B.1.1	Establishment of a Remuneration Committee	Yes	A Remuneration Committee is established to follow the set out principles.
B.1.2 & B.1.3	Composition of Remuneration Committee	Yes	The Remuneration Committee consists of two (02) Independent Non-Executive Directors and one (01) Non-Executive Directors and the Chairman of this Committee is appointed by the Board.
B.1.4	Determination of Remuneration of the Non-Executive Directors	Yes	Remuneration of the Non-Executive Directors is decided by the Board.
B.1.5	Consultation of the Chairman and access to professional advice	Yes	Each Committee has the authority to seek internal and external independent professional advice on remuneration of other Executive Directors and also on matters falling within its purview at the Company's expense. Views of the Chairman of each Committee are obtained, in addition to the views of the Managing Director/(CEO).

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Section 01 & 02: Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Ref. ICASL Code	Corporate Governance Principle	In-line with principle	Compliance and Implementation
B.2	The Level and Make up of Remuneration		
B.2.1 to B.2.5	Levels of Remuneration	Yes	The Remuneration Committee structures the remuneration package to attract, retain and motivate.
B.2.6	Executive share options	N/A	No Executive Share Option Schemes (ESOS) for CFL.
B.2.7	Designing schemes of related remuneration	Yes	Please refer the Report of Remuneration Committee on page 105.
B.2.8 & B.2.9	Early termination of Executive Directors	N/A	Executive Director termination is governed by their contracts of service/employment.
B.2.10	Levels of Remuneration of Non-Executive Directors	Yes	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role.
B.3	Disclosure of Remuneration		
B.3.1	Disclosure of Remuneration	Yes	Refer the Report of Remuneration Committee on page 105. The total of Directors' Remuneration is reported in Note 8.1 to the Financial Statements.
C.	Relations with Shareholders		
C.1	Constructive use of the Annual General Meeting (AGM)		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Yes	The notice and the agenda of the AGM together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting.
C.1.2	Separate resolution for substantially separate issues	Yes	A separate resolution is proposed at an AGM on each substantially separate issues where necessary.
C.1.3	Votes and use of proxy	Yes	The Company ensures that all proxy votes are properly recorded and counted.
C.1.4	Availability of all sub-committee chairmen at the Annual General Meeting (AGM)	Yes	The Board arranges the Chairman of the Audit Committee and Remuneration Committee to be available to answer queries at the AGM when necessary.
C.1.5	Procedure of voting at general meeting	Yes	A summary of the procedure governing voting at General Meeting is circulated to shareholders with every Notice of the General Meeting.
C.2	Communication with Shareholders		
C.2.1	Channel to reach all shareholders	Yes	The main mode of communication between the Company and the shareholders is the Annual General Meeting. Shareholders are provided with the information prior to the AGM.
C.2.2	Policy methodology for communication with shareholders	Yes	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. Contact details are published in annual financial reporting.
C.2.3	Implementation of the policy and methodology for communication with shareholders	Yes	Please refer C.2.4 and C.2.5 for the implementation of the policy and methodology.
C.2.4 & C.2.6	Contact person for communication	Yes	Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.
C.2.5	Process to make Directors aware of major issues and concerns of shareholders	Yes	The Company Secretary maintains a record of all correspondence received. All major shareholder issues and concerns of the shareholders are referred to the Board of Directors with the views of the management.
C.2.7	Response to the shareholders matters	Yes	The process for responding to shareholder matters have been formulated by the Board and disclosed. Such matters are responded at the shareholder meetings, publications at the Colombo Stock Exchange or through communication by the Company Secretary to the Shareholders.

Section 01 & 02: Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Ref. ICASL Code	Corporate Governance Principle	In-line with principle	Compliance and Implementation
C.3 Major and Material Transactions			
C.3.1	Disclosure on proposed major transaction	Yes	During the year under review, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company's consolidated net asset base.
C.3.2	Shareholder's approval by special resolution	Yes	During the year under review, there were no transactions/events which require approval by way of a special resolution. Comply with the disclosure requirements and approval by special resolution as required by the rules and regulations by SEC and the CSE.
D. Accountability and Audit & Audit Committee			
D.1 Financial and Business Reporting			
D.1.1 & D.1.2	Board's responsibility for presenting a balanced and understandable assessment of the Company's financial position, performance and prospects.	Yes	The Company has presented balanced and understandable financial statements which gives a true and fair view quarterly and annually.
D.1.3	Declaration by Managing Director/(CEO) and General Manager Finance on the Financial Reporting	Yes	Managing Director and General Manager Finance have made all required declarations in the 'Responsibility Statement of Chairman, Managing Director and General Manager Finance and appears on page 102. The 'Statement of Directors' Responsibilities for Financial Statements is given on page 101.
D.1.4	Declaration by Board	Yes	Directors have made necessary declarations. Refer the Annual Report of "The Board of Directors on the Affairs of the Company Report" in page no 98 to 100.
D.1.5	Statement of Directors Responsibility, statement on internal controls and Auditors' Report	Yes	This is declared in the Annual Report of the Board of Directors on the Affairs of the Company on page to 98 and the Statement of Directors' Responsibilities for Financial Statements on page 100 and pertains to required declarations.
D.1.6	Management Discussion and Analysis	Yes	Please Refer 'Management Discussion and Analysis' on pages 41 to 72.
D.1.7	Summon an EGM to notify serious loss of capital	N/A	No such reason arose during the period under review for an EGM.
D.1.8	Disclosure of Related Party Transaction	Yes	Related party transaction (RPT) committee reviews the RPT on a quarterly basis to make sure arm's length principles.
D.2 Risk Management and Internal Control			
D.2.1	Monitoring sound system of Internal Control	Yes	The Board and Management Committee have established required Risk, Control and Compliance Committees. Internal control design and operational effectiveness is reviewed independently by third party internal audit firm and submit the observations directly with group internal audit function to present at the CFL Audit Committee.
D.2.2	Assessment of principle risks facing the Company	Yes	The Board and Management Committee are responsible for managing the risks associated with our activities.
D.2.3	Internal Audit Function	Yes	The Company has deployed outsourced internal audit firm to review the design and operating effectiveness of the business process periodically. In addition to that the Group internal Audit team overlooks for the internal audit matters of the Company.
D.2.4	Review of the process and effectiveness of Risk Management and Internal Controls	Yes	The risk management process has been designed on a standardized, holistic and integrated approach to manage risks.

Corporate Governance

Section 01 & 02: Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Ref. ICASL Code	Corporate Governance Principle	In-line with principle	Compliance and Implementation
D.2.5	Director's responsibility of maintaining of a sound internal control system	Yes	Please refer Statement of Directors' Responsibilities for Financial Statements on page 101.
D.3 Audit Committee			
D.3.1	Composition of the Audit Committee	Yes	The Audit Committee consists of three (3) Independent Non - Executive Directors.
D.3.2	Duties of the Audit Committee	Yes	The Audit Committee keeps under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. Refer Audit Committee Report on page 103 to 104 for the duties.
D.3.3	Terms of reference of the Audit Committee	Yes	Terms of Reference of the Audit Committee is defined in the Charter of the Audit Committee approved by the Board of Directors. Please refer Audit Committee Report on page 103 to 104.
D.3.4	Disclosures of the members of Audit Committee	Yes	The names of the members of the Audit Committee are given on Page 103.
D.4 Related Party Transaction Review Committee			
D.4.1	Related Party Transactions (RPT)	Yes	The Company is adhering to LKAS 24 and Transactions entered into with related parties during the year is disclosed in Note 33 to the Financial Statements.
D.4.2	Composition of Related Party Transactions Committee	Yes	RPT Review Committee consists of three (3) Independent Non - Executive Directors and one (1) Executive Director.
D.4.3	Terms of Reference	Yes	Please refer Related Party Transactions Review Committee Report on page 106.
D.5 Code of Business Conduct and Ethics			
D.5.1	Code of Business Conduct and Ethics	Yes	The Company is following a Code of Conduct for its employees and code of business conduct and ethics for business partners
D.5.2	Material and price sensitive information	Yes	Material and price sensitive information is promptly identified and reported to the shareholders through Colombo Stock Exchange. Further, Financials are first published to CSE as per stipulated time frame as per regulation.
D.5.3	Shares purchased by Directors and Key Management Personnel	Yes	The Company has a policy and a Process for monitoring, and disclosure of shares purchased by any Director and Key Management Personnel (KMP) Please refer page 98 on the disclosure of shares held by directors
D.5.4	Affirmation of Code in the Annual Report by the Chairman	Yes	Please refer "Chairman's Message" on page 20 to 21.
D.6 Corporate Governance Disclosures:			
D.6.1	Disclosure of Corporate Governance	Yes	This requirement is met through the presentation of this report.
SECTION 2			
E. Institutional Investors			
E.1 Shareholder Voting			
E.1.1	Dialogue with shareholders	Yes	In order to avoid conflicts of interest by nurturing the mutual understanding, the Board carries out dialogues with its shareholders at General Meetings.
E.2 Evaluation of governance disclosures			
E.2	Due weightage by Institutional Investors	Yes	The Institutional Investors are encouraged to give due weightage to relevant matters at General Meetings.

Section 01 & 02: Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Ref. ICASL Code	Corporate Governance Principle	In-line with principle	Compliance and Implementation
F. Other Investors			
F.1 Investing/ Divesting Decision			
F.1	Seek Independent Advice	Yes	Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.
F.2 Shareholder Voting			
F.2	Encouraging Shareholder participation	Yes	Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.
G. Internet of Things and Cyber Security			
G.1	Internal & External IT devices connected to the Business Model	Yes	Internal and external IT devices to the corporate network is controlled according to the IT & Access Control Policies. Please refer Intellectual Capital for Cyber Security related updates.
G.2	CISO (Chief Information Security Officer) and Cyber security risk management policy	Yes	The Manager Network Infrastructure Security & Governance of Group is continuously monitoring and review the Cyber security requirements and Group level IT Incident Management Procedure has been implemented to manage cyber security risks.
G.3	Discussions on Cyber risk management	Yes	This has been reviewed on a regular basis and has been given due attention to make sure cyber security risk management.
G.4	Independent periodic review and assurance	Yes	Periodic reviews are carried out by the internal IS/ IT Auditor and annual security assessments are carried out by external security consultants.
G.5	Disclosure on Cyber security risk management	Yes	Disclosure on Cyber security risk management has been made in this annual report. Please refer Intellectual Capital for Cyber Security related updates.
H. Environment, Society and Governance (ESG)			
H.1.1	ESG Reporting	Yes	Company has included the environmental, social and governance initiatives performed and provided information in the Annual Report. Further the company is putting it's best efforts to meet commitments towards UN Sustainability Goals.
H.1.2	Environment Factors	Yes	The Company follows best practices which mitigates the environmental threats and improves best practices in Company's engagements to fulfil the obligation towards the environment. Please refer natural capital section on page 69 for initiatives in relation to environmental factors
H.1.3	Social Factors	Yes	The Company follows best practices to build strong relationship with the community and strives towards sustainable development. Please refer social capital section on page 66 for initiatives in relation to social factors
H.1.4	Governance	Yes	The Company established a governance structure to support its ability to create value and manage risks on aspects of ESG. Please refer Corporate Governance on page 74 to 106 and Internal Controls and Risk Management on page 33 to 37 in this Annual Report.
H.1.5	Board's role on ESG Factors	Yes	Under the guidance of Board, the management presents Sustainability initiatives on a quarterly basis to the Board of Directors and to make sure actions are executed.

Corporate Governance

Section 03: Colombo Stock Exchange Listing Rules Section 7.6

This section summarizes the degree to which Convenience Foods (Lanka) PLC complies with the Colombo Stock Exchange's Continuing Listing Requirements, specifically Section 7.6 on Annual Report Disclosure for Listed Companies.

CSE Rule	Compliance Status	Reference (within the CFL Annual Report)	Page Reference
(i) Names of persons who were Directors of the Entity.	Compliant	Board of Directors	Refer pages 74 to 75
(ii) Principal activities of the entity and its subsidiaries during the year, and any changes therein.	Compliant	About The Company	Refer page 05
(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.	Compliant	Shareholder and Investor Information	Refer pages 150 to 151
(iv) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Compliant		
(v) A statement of each Director's holding and Managing Director's/(CEO's) holding in shares of the Entity at the beginning and end of each financial year.	Compliant		
(vi) Information pertaining to material foreseeable risk factors of the Entity.	Compliant	Risk Management	Refer pages 33 to 37
(vii) Details of material issues pertaining to employees and industrial relations of the Entity.	Compliant	The capital reports, Stakeholder Engagement and Materiality	Refer pages 28 to 72
(viii) Extents, locations, valuations and the number of buildings of the Entity's Land holdings and Investment properties.	Compliant	Notes to the Financial Statements	Refer pages 125 to 148
(ix) Number of shares representing the Entity's stated capital.	Compliant	Shareholder and Investor Information	Refer pages 150 to 151
(x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Compliant		Refer pages 150 to 151
(xi) Financial ratios and market price information.	Compliant	Decade at a Glance & Share Information	Refer pages 149 to 151
(xii) Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of Land, if the value differs substantially from the book value as at the end of the year.	Compliant	Notes to the Financial Statements	Refer pages 125 to 148
(xiii) Details of funds raised through a public issue, rights issue and a private placement during the year.	Compliant	No public issue, rights issue and a private placement took place during the year	N/A
(xiv) Information in respect of Employee Share Ownership or Stock Option Schemes.	Compliant	No Employee Share Ownership or Stock Option Schemes offered at the Company	N/A
(xv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules.	Compliant	Please refer Corporate Governance Section	Refer pages 74 to 97
(xvi) Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower.	Compliant	Please refer Related Party Transaction Committee Report & Note 33 of the Notes to the Financial Statements	Refer pages 106 & 140

Section 04: Colombo Stock Exchange Listing Rules Section 7.10

In this section, we assess the level of compliance of Convenience Foods (Lanka) PLC with the Continuing Listing Requirements, particularly Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule	Requirement	CFL Extent of Adaption	Compliance Status	Reference (within the CFL Annual Report)
7.10 Compliance				
7.10 a/b/c	Compliance with Corporate Governance.	The Company is in compliance with the Corporate Governance principles and any deviations are explained where applicable.	Compliant	Refer the corporate governance compliance statement
7.10.1 Non-Executive Directors (NED)				
7.10.1 a/b/c	Non- Executive Directors, At least 2 members or 1/3 of the Board, whichever is higher should be NEDs.	The Board consists seven (7) Non-Executive Directors and one (1) Executive Director on its Board as at 31st March 2023. Please refer pages 74 and 75 for the profiles of the Directors.	Compliant	Corporate Governance A.5.1
7.10.2 Independent Directors				
7.10.2 (a)	Independent Directors: 2 or 1/3 of NEDs, whichever is higher shall be 'independent'.	Three (3) out of seven (7) Non-Executive Directors were Independent as at 31st March 2023.	Compliant	Corporate Governance A.5.2
7.10.2.(b)	Independent Directors: Each NED to submit a signed and dated declaration of his/her independence or non-independence.	All Independent Non-Executive Directors have submitted their confirmation of independence and are determined to be independent by the Board of Directors.	Compliant	Corporate Governance A.5.4
7.10.3 Disclosures relating to Directors				
7.10.3.(a)/ (b)	Board shall annually determine the independence or otherwise of NEDs 7.10.3. (b) 7.10.4 In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the annual report.	Three (3) Non-Executive Directors are determined to be independent by the Board of Directors. The period of service of Mr. M. U. S. G. Thilakawardana, Dr. D. M. A. Kulsooriya and Mr. M. S. Nanayakkara exceeds nine (9) years. The Board is of the view that the period of service of the said Directors do not compromise their independence and objectivity in discharging their functions as Directors and therefore, based on declarations submitted by the said Directors, has determined that those Directors shall nevertheless be 'Independent' as per the Listing Rules.	Compliant	Corporate Governance A.5.5
7.10.3.(c)	A brief resume of each Director should be included in the annual report including the Directors' experience.	A brief resume of each Director is included in the Annual report.	Compliant	Refer Profile of Directors on pages 74 and 75
7.10.3.(d)	Provide a resume of new Directors appointed to the Board along with details to CSE for dissemination to the public.	Please refer pages 74 and 75 for the profiles of the Directors. No new Director appointed or changed during the year.	N/A	N/A

Corporate Governance

Section 04: Colombo Stock Exchange Listing Rules Section 7.10

CSE Rule	Requirement	CFL Extent of Adaption	Compliance Status	Reference (within the CFL Annual Report)
7.10.5 Remuneration Committee				
7.10.5 (a.1)	Composition of Remuneration Committee	The Remuneration Committee comprises of two (2) Independent Non-Executive Directors and one (1) Non-Executive Director. Since parent company (CBL Investments Limited) is not a listed entity, Remuneration Committee has been appointed specific to the Company.	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 and Remuneration Committee Report on page 105
7.10.5 (a.2)	One NED shall be appointed as Chairman of the Committee by the Board of Directors	The Remuneration Committee is led by Ms. N K Wickramasingha, a Non-Executive Director.	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 and Remuneration Committee Report on page 105
7.10.5 (b)	Functions of Remuneration Committee. Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors.	The remuneration of the Chairman, CEO and the Executive Directors is determined as per the remuneration principles and recommended by the Committee. The Committee recommends to the Board, the remuneration payable to the key executives. In recommending an appropriate remuneration package the primary objective of the Committee is to attract and retain the services of highly qualified and experienced personnel.	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 and Please refer Remuneration Committee Report on page 105
7.10.5 (c.1)	Names of Remuneration Committee members	Names of Remuneration Committee members are provided in the report	Compliant	Please refer Remuneration Committee Report on page 105
7.10.5 (c.2)	Statement of Remuneration policy	Statement of Remuneration policy is provided in the report	Compliant	Please refer Remuneration Committee Report on page 105
7.10.5 (c.3)	Aggregate remuneration paid to EDs and NEDs	Aggregate remuneration paid to EDs and NEDs is provided in the report	Compliant	Please refer Remuneration Committee Report on page 105
7.10.6 Audit Committee				
7.10.6 (a.1)	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent.	The Audit Committee comprise of three (3) Independent Non-Executive Directors. Since parent company (CBL Investments Limited) is not a listed company, the Audit Committee has been appointed specific to the Company.	Compliant	Corporate Governance D.3.1,D.3.2 and Audit Committee Report on pages 103 to 104
7.10.6 (a.2)	A NED shall be the Chairman of the committee.	The Committee is led by Mr. Mahesh Shirantha Nanayakkara, Independent Non-Executive Director (IND/NED): FCA (SL), ACMA (UK), MBA (PIM)	Compliant	Please refer Audit Committee Report on pages 103 to 104

Section 04: Colombo Stock Exchange Listing Rules Section 7.10

CSE Rule	Requirement	CFL Extent of Adaption	Compliance Status	Reference (within the CFL Annual Report)
7.10.6 (a.3)	CEO and CFO should attend AC meetings, unless otherwise determined by AC.	CEO and CFO are attending the meeting.	Compliant	Please refer Audit Committee Report on pages 103 to 104
7.10.6 (a.4)	The Chairman of the AC or one member should be a member of a recognised professional accounting body.	Chairman of the AC is a member of a recognised professional accounting body	Compliant	Please refer Audit Committee Report on pages 103 to 104
7.10.6(b)	Functions of Audit Committee <ul style="list-style-type: none"> ▶ Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS ▶ Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements ▶ Overseeing the process to ensure that the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS ▶ Assessment of the independence and performance of the Entity's External Auditors ▶ Make recommendations to the Board pertaining to External Auditors 	Convenience Foods (Lanka) PLC consistently prepares balanced and comprehensible financial statements that provide an accurate view of its financial position. The company complies with the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards, and Securities and Exchange Commission regulations. It effectively oversees the preparation and disclosure of financial statements according to SLFRS/LKAS, while meeting financial reporting requirements and obligations. Internal controls and risk management measures are robustly implemented to meet SLFRS/LKAS requirements. The independence and performance of external auditors are thoroughly assessed, with recommendations made to the Board. Overall, the company upholds high standards of financial reporting, compliance, and governance, ensuring transparency and reliability in its financial statements and operations.	Compliant	Corporate Governance D.3.3 Audit Committee Report on pages 103 to 104
7.10.6 (c.1)	Names of the Audit Committee members shall be disclosed	The names of the Audit Committee members given on page 103.	Compliant	Corporate Governance D.3.4 and Audit Committee Report on pages 103 to 104
7.10.6 (c.2)	Audit Committee shall make a determination of the independence of the external auditors	The basis of determination of the independence of the Auditor is given in section D.3.4 of the ICASL code table.	Compliant	Corporate Governance D.3.4 and Audit Committee Report on pages 103 to 104
7.10.6 (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	This is disclosed in the report	Compliant	Please refer Audit Committee Report on pages 103 to 104

Corporate Governance

Section 05: Colombo Stock Exchange Listing Rules Section 9.

This section covers Convenience Foods (Lanka) PLC's extent of adherence to the requirements of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange.

CSE Rule	Requirement	CFL Action	Compliance Status	Reference (within the CFL Annual Report)
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	Related Party Transactions Review Committee is operating.	Compliant	Refer Related Party Transactions Review Committee Report on page 106
9.2.2	Composition of Related party Transactions Review Committee	The RPTRC comprises of three (03) Independent Non-Executive Directors and one (01) Executive Director.	Compliant	Refer Related Party Transactions Review Committee Report on page 106
9.2.4	Related Party Transactions Review Committee Meetings	The RPTRC met four (4) times during the year.	Compliant	Refer Related Party Transactions Review Committee Report on page 106
9.3.1	Immediate Disclosures	In order to comply with this listing rule under section 9.3.1, The company has taken steps to do the immediate market disclosure for the intercompany loan obtained dated 27th June 2022 Loan amounting to Rs.870 Mn & Loan amounting to Rs.450 Mn on 14th March 2023 in order to secure the working capital requirements. These loans were taken at arm's length basis from the intercompany.	Compliant	Refer Related Party Transactions Review Committee Report on page 106 and Refer Note 33 of the Financial Statements on page 140
9.3.2 (a)	Disclosure: Non-Recurrent Related Party Transactions	In order to comply with this listing rule under section 9.3.2, The company has taken steps to do the disclosure in the annual report about intercompany loan obtained dated 27th June 2022 Loan amounting to Rs.870 Mn & Loan amounting to Rs.450 Mn on 14th March 2023 in order to secure the working capital requirements. These loans were taken at arm's length basis from the intercompany.	Compliant	Refer Related Party Transactions Review Committee Report on page 106 and Refer Note 33 of the Financial Statements on page 140
9.3.2 (b)	Disclosure: Recurrent Related Party Transactions	The Company has disclosed recurrent related party transactions in the notes of the financial statements.	Compliant	Refer Note 33 of the Financial Statements on page 140
9.3.2 (c)	The Report by the Related Party Transactions Review Committee	The report of the Related Party Transactions Review Committee is given.	Compliant	Refer Related Party Transactions Review Committee Report on page 106
9.3.2 (d)	A Declaration by the Board of Directors	Annual Report of Board of Directors is included.	Compliant	Refer the Annual Report of the Board of Directors on the affairs of the company on page 98

Section 06: Companies Act No. 7 of 2007

This section examines the adherence of Convenience Foods (Lanka) PLC to the regulations outlined in the Companies Act No. 7 of 2007.

Section Ref.	Requirement	Compliance Status	Reference (within the CFL Annual Report)	Page Reference
168 (1) (a)	The nature of the business together with any change thereof	Compliant	About The Company	Refer page 05
168 (1) (b)	Signed financial statements of the Company	Compliant	Financial Statements	Refer pages 112 & 113
168 (1) (c)	Auditors' Report on financial statements	Compliant	Independent Auditors' Report	Refer pages 109 to 111
168 (1) (d)	Accounting policies and any changes therein	Compliant	Notes to the Financial Statements	Refer pages 125 to 148
168 (1) (e)	Particulars of the entries made in the Interests Register	Compliant	Annual Report of the Board of Directors	Refer pages 98 to 100
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Compliant	Notes to the Financial Statements	Refer pages 125 to 148
168 (1) (g)	Corporate donations made by the Company	Compliant	Annual Report of the Board of Directors	Refer pages 98 to 100
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Compliant	About The Company	Refer page 05
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Compliant	Notes to the Financial Statements	Refer pages 125 to 148
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Compliant	Report of the Audit Committee / Financial Statements	Refer page 103 & pages 125 to 148
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Compliant	Financial Statements / Annual Report of the Board of Directors	Refer pages 112 to 148

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Convenience Foods (Lanka) PLC (CFL) have the pleasure of presenting the Annual Report together with the Audited Financial Statements for the year ended 31st March 2023.

General

CFL is a public limited liability Company which was incorporated on 27th March 1991 as a private limited liability Company under the Companies Act, No.17 of 1982 as Soy Foods (Private) Limited. The Company was converted to a public limited liability Company on 11th March 1992 and was listed on the Colombo Stock Exchange in May 1992. It was re-registered as per the Companies Act, No.7 of 2007 on 25th June 2008 under Registration No. PQ 164. The name of the Company was changed to Convenience Foods (Lanka) PLC on 21st August 2008.

Principal Activities

The principal activity of the Company in the manufacture and marketing of Textured Soy Protein (TSP), which is popularly known as soya meat and also other food products.

Review of Business

The Chairman's Message on pages 20 to 21 and the Managing Director's Message on pages 22 to 24 provide an overall assessment of the business performance of the Company during the year with comments on financial results, future strategies and prospects. These Reports together with the Financial Statements, reflect the state of affairs of the Company.

Financial Statements

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

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

Independent Auditors Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 109 to 111.

Accounting Policies

The accounting policies adopted by the Company in the preparation of the Financial Statements are given on pages 116 to 124, which are consistent with those of the previous period.

Major Shareholders, Distribution Schedule, and Other Information

Information on the twenty-five (25) largest shareholders of the Company, the distribution schedule of shareholders, percentage of shares held by the public, and market values per share as per the Listing Rules of the Colombo Stock Exchange are given on pages 150 and 151 under Shareholder Information.

Directors

The Board of Directors of the Company consists of eight (8) Directors as at end of the financial year with wide financial and operational knowledge and experience. The names of the Directors who held office at the end of the accounting period are given below and their brief profiles appear on pages 74 and 75.

Non-Executive Directors

Mr. R. S. A. Wickramasingha - Chairman
Ms. D. S. Wickramasingha - Director
Ms. N. K. Wickramasingha - Director
Mr. L. J. M. De Silva - Director
Mr. M. U. S. G. Thilakawardana - Director*
Dr. D. M. A. Kulsooriya - Director*
Mr. M. S. Nanayakkara - Director*

*Independent Non-Executive Directors

Executive Director

Mr. E. T. De Zoysa - Managing Director

Directors' Remuneration

The remuneration of the Directors is given in Note 8.1 to the Financial Statements on page 126.

Directors' Interest in Shares

The relevant interests of Directors in the shares of the Company as at 31st March 2023 and 31st March 2022 are as follows:

Director's Name	31st March 23	31st March 22
Mr. R. S. A. Wickramasingha	Nil	Nil
Ms. D. S. Wickramasingha	Nil	Nil
Mr. E. T. De Zoysa	Nil	Nil
Mr. M. U. S. G. Thilakawardana	Nil	Nil
Dr. D. M. A. Kulsooriya	Nil	Nil
Mr. M. S. Nanayakkara	Nil	Nil
Mr. L. J. M. De Silva	Nil	Nil
Ms. N. K. Wickramasingha	Nil	Nil

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

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Interest Register

The Company maintains an Interest Register in terms of the Companies Act, No.07 of 2007. The relevant interests of Directors in the shares of the Company as at 31st March 2023 as recorded in the interest register are given in this report under Directors' Shareholding.

Information on the Directors of the Company

The names of the Directors who held office at the end of the accounting period are given and their brief profiles appear on pages 74 and 75.

Retirement and Re-appointment of Directors

Mr. R. S. A. Wickramasingha who is 76 years of age vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (b) of the Companies Act, No.7 of 2007 and is recommended by the Board for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Mr. L. J. M. De Silva who is 79 years of age vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (b) of the Companies Act No.7 of 2007 and is recommended by the Board for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Corporate Governance

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

Material Foreseeable Risk Factors

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

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties, and levies payable by the Company, all contributions, levies, and taxes payable on behalf of, and in respect of employees of the Company, and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

Environmental Protection

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

Related Party Transactions (RPT) with the Company

All RPT which encompass the transactions of Directors who were directly or indirectly interested in a contract or a RPT with the Company during the accounting period are recorded in the interests register in due compliance with the applicable rules and regulations of the relevant regulatory authorities. Transactions of related parties (as defined in LKAS 24 - Related Party Disclosure) with the Company are set out in Note 33 to the financial statements. The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the CSE pertaining to RPT during the financial year ended 31st March 2023.

Stated Capital

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

Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 114.

Capital Expenditure

The total capital expenditure during the year was Rs. 85.5 Mn. Details of the movements in property, plant, and equipment are given in Note 12 to the Financial Statements on page 129.

Land Holdings

The Company does not own any freehold land.

Investments

Details of the Company's investments as at 31st March 2023 are given in Notes 19 to the Financial Statements on page 133.

Contingent Liabilities

The Contingent Liabilities as at 31st March 2023 are given in Note 30.3 to the Financial Statements on page 139.

Financial Ratios

The Earnings Per Share and other financial ratios are given under the Performance Summary on page 112.

Dividend

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

Donations

The total amount of donations made during the year under review amounted to Rs.569,895/-.

Going Concern

After making adequate inquiries from the Management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Further, the Board of Directors resolved to liquidate its subsidiary Soy Products (Pvt) Limited on 05th August 2022. Legal proceedings liquidation were completed on 19th

Annual Report of the Board of Directors on the Affairs of the Company

December 2022. Since the company was in a dormant status, there's no material financial impact to the financial statements as at 31st March 2023.

Events Occurring After the Reporting date

Details of the events occurring after the reporting date are given in Note 31 to the Financial Statements on page 139.

Independent Auditors

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review.

The fee payable to the Auditors for the year under review is Rs. 920,000/- (2021/22 – Rs. 770,000/-).

Messrs Ernst & Young provided tax compliance services during the year under review and the fee payable therefor amounts to Rs. 433,856/- (2021/22 – Rs. 381,200/-).

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

Notice of the proposed resolution has been served on the retiring Auditors as required by the Companies Act, No. 07 of 2007.

Annual General Meeting

The Annual General Meeting will be held by electronic means (online platform) on 11th September 2023 at 3.30 p.m. centered at Ceylon Biscuits Limited at No.555, High Level Road, Makumbura, Pannipitiya. The Notice of the Annual General Meeting appears on page 158.

Acknowledgment

The Board of Directors have approved the Audited Financial Statements together with the Annual Report of the Board of Directors and the reviews which form part of the Annual Report.

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

R. S. A. Wickramasingha
Chairman

E. T. De Zoysa
Managing Director

P W Corporate Secretarial (Pvt) Ltd.
Secretaries

31st July 2023
Colombo

Statement of Directors' Responsibilities for Financial Statements

This statement describes the obligations of the Directors concerning Convenience Foods (Lanka) PLC's Financial Statements.

The Directors are responsible under Sections 150 (1), 151 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the financial year.

The Financial Statements consist of the following components as at 31st March 2023: the Statement of Financial Position, the Statement of Income and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year ended, and accompanying Notes.

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept to enable, the determination of financial position with reasonable accuracy, preparation of financial statements, and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange. Further, the financial statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations, and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis. The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The External Auditors, Messrs KPMG Chartered Accountants was provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the financial statements. The Report of the Auditors, shown on page 109 to 111 sets out their responsibilities in relation to the financial statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to all relevant regulatory and statutory authorities which were due and payable in respect of the Company as at the reporting date have been paid or where relevant, provided for.

By order of the Board,
Convenience Foods (Lanka) PLC.

P W Corporate Secretarial (Pvt) Ltd.
Secretaries

31st July 2023
Colombo

Responsibility Statement of Chairman, Managing Director/CEO and General Manager Finance

The financial statements of Convenience Foods (Lanka) PLC as at 31st March 2023, are prepared and presented in conformity with the requirements of the following:

1. Sri Lanka Accounting Standards, issued by the Institute of Chartered Accountants of Sri Lanka
2. The Companies Act No. 07 of 2007
3. The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
4. Listing Rules of the Colombo Stock Exchange
5. The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accounts of Sri Lanka.

We confirm that the significant accounting policies used in the preparation of the financial statements are appropriate, and are consistently applied unless otherwise stated in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and with external auditors.

We have also taken proper and sufficient care in installing systems of internal control and accounting records to safeguard assets and to prevent and detect fraud as well as other irregularities. These have been reviewed, evaluated, and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed, were provided by periodic audits conducted by the Group internal audit function. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the internal auditors and the independent auditors to review the effectiveness of audits, and to discuss auditing, internal control, and financial reporting issues. The independent auditors and the internal auditors have been provided full and free access to the Audit Committee to discuss any matter of substance.

The financial statements were audited by the independent external auditors, Messrs KPMG, Chartered Accountants. The Audit Committee approves the audit and non-audit services provided by the external auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that

- The Company has complied with all applicable laws, regulations, and prudential requirements.
- There are no material non-compliances; and
- There are no material litigations that are pending against the Company.

R. S. A. Wickramasingha
Chairman

E. T. De Zoysa
Managing Director

S.K.I. Sameera Senarathne
General Manager Finance

31st July 2023
Colombo

Audit Committee Report

The Roles and Responsibilities

The Audit Committee plays an important role in providing oversight of the Convenience Foods (Lanka) PLC's (CFL) governance, risk management, and internal control processes. This oversight mechanism also serves to provide confidence in the integrity of these processes. The Audit Committee performs its role by providing independent oversight to the Board of Directors. The Audit Committee ("the Committee") will assist the Board of Directors in fulfilling its oversight responsibilities. To fulfill its responsibilities, the Committee shall carry out the following:

1. Financial Reporting

- ▶ Overseeing the preparation, presentation, and adequacy of disclosures in the financial statements of the entity, in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).
- ▶ Review the annual financial statements and interim financial statements and consider whether they are complete and consistent with information known to the Committee members and reflect appropriate accounting standards and policies.

2. Internal Audit

Approve the annual internal audit plan and review internal audit reports and action plans by the management. Further, the Committee will assess their scope, independence and appointments.

3. External Audit

Review the external audit reports, and management letters and will assess the scope of the external audit and their independence and take the final decision on their appointment, re-appointment and remuneration.

4. Internal control, Compliance, and Risk Management

- ▶ Consider the effectiveness of the organization's control framework.
- ▶ Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the management's investigations and follow - up of any instances of non-compliance.
- ▶ Review and assess the Company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks.
- ▶ Monitor management's performance in establishing and maintaining an effective enterprise-wide risk management process.

Terms of Reference

The Committee functions, based on an Audit Committee Charter approved by the Board of Directors and deals with, the purpose, authority, composition, and responsibilities.

Audit Committee Composition and Meetings

The Audit Committee comprises three (03) Non-Executive Directors all of whom are independent.

During the financial year ended 31st March 2023, the Audit Committee held four (04) meetings. The members of the management attend the meetings upon invitation to brief the Audit Committee on specific issues. In addition, the Audit Committee met with the External Auditor Messrs KPMG Sri Lanka, Chartered Accountants to ascertain the nature, scope, and approach of the External Audit function and to review the financial statements and the management reports.

The members of the Audit Committee appointed by, and responsible to, the Board of Directors comprised the following members at the end of the year as at 31st March 2023.

Members	25th May 22	27th July 22	26th Oct 22	25th Jan 23
Mr. M. S. Nanayakkara - (Chairman) - IND/NED	✓	✓	✓	✓
Dr. D. M. A. Kulasooriya - (Member) - IND/NED	✓	X	✓	✓
Mr. M. U. S. G. Thilakawardana - (Member) - IND/NED	✓	✓	✓	✓

ED - Executive Director

NED - Non-Executive Director

IND/NED - Independent Non-Executive Director

Please refer to pages 74 to 75 for a brief profile of the Directors

Audit Committee Report

Secretary

P W Corporate Secretarial (Pvt) Ltd. acts as the Secretary to the Audit Committee.

Invitees

The Managing Director, General Manager Group Internal Audit, and General Manager Finance are permanent invitees for audit committee meetings.

Internal Audit Function

The Internal Auditor of Convenience Foods (Lanka) PLC reports to the Audit Committee of CFL and the Audit Committee of the CBL Group. The Internal Audit function is outsourced to Messrs EY, Chartered Accountants. The Internal Audit function provides risk-based and objective assurance, advice and insight to protect and enhance the organization's system of internal controls.

Key Activities of the Audit Committee During the Financial Year

- ▶ Ensured that a sound financial reporting system is in place and is well managed, in order to give accurate, appropriate and timely information to Management, Regulatory Authorities and Shareholders.
- ▶ Reviewed and discussed with Management the un-audited quarterly financial statements and the annual audited financial statements prior to the recommendation of the same to the Board including the quality, transparency, integrity, accuracy, and compliance with accounting standards, laws, and regulations.
- ▶ Reviewed the implementation of the annual internal audit plan and the audit findings on the system of internal controls including IT controls and the adequacy and effectiveness on implementation of management action plans thereon.
- ▶ Reviewed the results of the external audit report and management responses to the issues highlighted, in order to be satisfied that appropriate action is being taken on a timely basis.

- ▶ Reviewed the procedures in place for the identification, evaluation, and monitoring of risk faced by the Company at an enterprise level.
- ▶ Reviewed the extent of compliance with laws of the country, government regulations, listing rules of the CSE and established policies of the Company.
- ▶ Reviewed the Internal Audit Function, including the independence and authority of its reporting obligations and the Internal Audit plan.
- ▶ Assessed the independence of the External Auditor and monitored the External Audit function. The Audit Committee is satisfied that the independence of the External Auditors had not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the External Auditor.
- ▶ Made recommendations to the Board pertaining to the appointment of the External Auditor, Messrs KPMG Sri Lanka, Chartered Accountants including their remuneration and terms of engagement by assessing qualifications, expertise, resources, and independence as the statutory auditors during the financial year.

Conclusion

The Audit Committee is satisfied that the effectiveness of the financial reporting process, the company's accounting policies, and operational controls provide reasonable assurance that the affairs of the company are managed in accordance with Company policies and that Company assets are properly accounted for and adequately safeguarded.

M. S. Nanayakkara
Chairman

Audit Committee
31st July 2023
Colombo

Appointment (Change) of External Auditor

The financial statements for the year ended 31st March 2023 have been audited by Messrs KPMG, Chartered Accountants. They will be deemed to be replaced by Messrs EY as the statutory independent auditors for the year ended 31st March 2024 onwards in terms of Section 158 of the Companies Act No.7 of 2007. For this, a resolution proposing the Directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

Remuneration Committee Report

The Role and Responsibilities

The Remuneration Committee ("the Committee") is tasked with establishing and maintaining the remuneration policies of the Company as a whole. The policies have been designed in such a manner to reward, motivate and retain Company's executive team while maximizing the overall profitability of the organization in the long term. The Committee has acted within the parameters set out by the Listing Rules of the CSE. Increments, and matters concerning the recruitment of the Executive team are made at the meetings. One of its other goals is to ensure that the Company's Executive team is adequately rewarded for their performance and commitment to the Company's goals on a competitive basis.

Remuneration Committee Composition and Meetings

The Committee comprises three (03) Non-Executive Directors, two (02) of whom are independent. The Chairman of the Committee is a Non-Executive Director. The members of the Remuneration Committee as of 31st March 2023 are disclosed in the below table. During the financial year ended 31st March 2023, the Remuneration Committee held one (01) meeting. The members of the management attend the meeting upon invitation to brief the Committee on specific issues.

Members	31st March 23
Ms. N. K. Wickramasingha - (Chairman) NED	✓
Mr. M. U. S. G. Thilakawardana - (Member) - IND/NED	✓
Dr. D. M. A. Kulsooriya - (Member) - IND/NED	✓

ED - Executive Director

NED - Non-Executive Director

IND/NED - Independent Non-Executive Director

Please refer to pages 74 to 75 for a brief profile of the Directors

Remuneration Policy

The Company has established its remuneration policy to make sure,

- ▶ Attractive and capable of retaining well qualified and knowledgeable employees.
- ▶ Rewarding employees based on experience and contribution to the Company's bottom line.
- ▶ Be in line with industry standards and best practices.

Responsibilities of the Remuneration Committee

The functions of the Remuneration Committee include;

- ▶ Making recommendations to the Board on the ideal compensation packages in a transparent manner based on performance targets, benchmark principles, performance-related pay schemes, industry trends, and remuneration.
- ▶ Ensuring no Director is involved in deciding his own pay package.
- ▶ Deciding on the remuneration packages and extra benefits of the Executive Director.
- ▶ Review information related to executive pay from time to time to ensure the same is on par with the industry rates.
- ▶ Assess and recommend to the Board of Directors the promotions of the Key Management Personnel and address succession planning.

Remuneration Committee Meetings

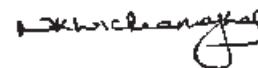
The Committee meets to ensure two-way communication, comprehensive dialogue, and resolution of issues. Meetings are held as often as required. Recommendations on compensation structures, bonuses, increments, and matters concerning the recruitment of the Executive team are made at the meetings. One of its other goals is to ensure that the Company's Executive team is adequately rewarded for their performance and commitment to the Company's goals on a competitive basis.

Directors' Remuneration

Apart from the one Executive Director who is involved with the operations of the Company on a full-time basis, other Directors receive a fee. Directors' remuneration, in respect of the Company for the financial year 2022/23 is Rs. 40,559,325 consisting of Executive Directors' and Non-Executive Directors' Remuneration.

Conclusion

The Remuneration Committee is satisfied that the Company adheres to proper human resource management procedures and compensation guidelines intended to draw in, grow, and protect employees with professional, managerial, and operational expertise who can fill leadership positions within the Company to meet strategic and operational goals. According to the Remuneration Committee, the Company's human capital is respected and appreciated thanks to the present performance evaluation, career development, rewards, and recognition processes.



N. K. Wickramasingha
Chairman

Remuneration Committee
31st July 2023
Colombo

Related Party Transactions Review Committee Report

The Role and Responsibilities

The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the requirements, limits, and reporting guidelines of the SEC Code of Best Practices on Related Party Transactions ("the Related Party Code") and the Listing Rules of the Colombo Stock Exchange (CSE). Furthermore, the Committee establishes guidelines and policies for management and reporting of Related Party Transaction.

The Committee remains steadfast in ensuring that fairness and transparency are maintained in reviewing Related Party Transactions, communicating the same to the Board and reviewing required market disclosures to be published at Colombo Stock Exchange (CSE) as necessary.

Related Party Transactions Review Committee Composition and Meetings

The Committee comprises three (03) Independent Non-Executive Directors and one (01) Executive Director. The composition of the Committee fulfilled the Code of Best Practice on Related Party Transactions issued by the SEC of Sri Lanka and Section 9 of the Listing Rules of the CSE. During the financial year ended 31st March 2023, the Committee held four (04) meetings. The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

The members of the Related Party Transactions Review Committee as of 31st March 2023 are disclosed in the below table.

Members	25th May 22	27th July 22	26th Octo 22	25th Jan 23
Dr. D. M. A. Kulsooriya - (Chairman) - IND/NED	✓	X	✓	✓
Mr. M. S. Nanayakkara - (Member) - IND/NED	✓	✓	✓	✓
Mr. M. U. S. G. Thilakawardana - (Member) - IND/NED	✓	✓	✓	✓
Mr. E. T. De Zoysa - (Member) - ED	✓	✓	✓	✓

ED - Executive Director

NED - Non-Executive Director

IND/NED - Independent Non-Executive Director

Please refer to pages 74 to 75 for a brief profile of the Directors

Key Activities of the Related Party Transactions Review Committee During the Financial Year

- ▶ Reviewed and pre-approved all non- recurrent Related Party Transactions prior to approval by the Board of Directors.
- ▶ Reviewed recurrent/ non-recurrent Related Party Transactions of the Company on a quarterly basis and ascertained the economic and commercial substance.
- ▶ Identified instances where an immediate market disclosure of non-recurrent Related Party Transaction is required in line with the definition of the Code.
- ▶ Reviewed all Related Party Transactions to ensure that they are in the best interests of the Company.
- ▶ Ensured that all reporting requirements of the Related Party Code and other statutes and regulations are met.
- ▶ Updated the Board of Directors on Related Party Transactions of the Company.
- ▶ Assessed the adequacy of Related Party reporting systems along with the advice of the External and Internal Auditors.
- ▶ Ensured that all transactions with Related Parties are in the best interest and adequate transparency is maintained.

Key Management Personnel

Key Management Personnel of the Company include members of the Board of Directors and identified senior management personnel of the Company. The Committee ensures that no participant in the discussions of a Related Party Transaction shall be a direct Related Party to the particular transaction. However, such persons may participate in the discussion for the sole purpose of providing information on such transactions.

Related Party Transactions During the Year

A detailed disclosure of all the related party transactions including Recurrent and Non Recurrent related party transactions which are required to be disclosed under section 9.3.2 of the Listing Rules of the CSE has been made in Note 33 to the financial statements on page 140 to 141. Further, it is required to disclose the Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower to comply with this listing rule under section 09. Thereby, the company has taken steps to do the immediate market disclosure for the loans obtained amounting Rs. 870 Mn on 27th June 2022 and Rs. 450 Mn on 14th March 2023 from the inter-companies to secure the working capital requirements and these loans were taken at arm's length basis as well. Please refer Note 33.4 to the financial statement for further details.

Conclusion

The Board of Directors confirm that the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

Dr. D. M. A. Kulsooriya
Chairman

Related Party Transactions Review
Committee
31st July 2023
Colombo



**Driving
meaningful
growth and
creating
lasting value**

Financial Calendar

Financial Calender 2022/23

	Submitted on
1st Quarter Report	1st August 2022
2nd Quarter Report	3rd November 2022
3rd Quarter Report	30th January 2023
4th Quarter Report	30th May 2023
Audited Financial Statements	31st July 2023
32nd Annual General Meeting	11th September 2023
Final Dividend Proposed	27th July 2023
Final Dividend Paid	29th August 2022

Financial Calender 2023/24

	To be submitted on
1st Quarter Report	On or before 15th August 2023
2nd Quarter Report	On or before 15th November 2023
3rd Quarter Report	On or before 15th February 2024
4th Quarter Report	On or before 31st May 2024
Annual Report 2023/24	On or before 18th August 2024
33rd Annual General Meeting	On or before 10th September 2024

Independent Auditors' Report



KPMG
 (Chartered Accountants)
 32A, Sir Mohamed Macan Markar Mawatha,
 P. O. Box 186,
 Colombo 00300, Sri Lanka.

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TO THE SHAREHOLDERS OF CONVENIENCE FOODS (LANKA) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Convenience Foods (Lanka) PLC ("the Company") which comprise the statement of financial position as at March 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 116 to 124.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are

independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the Company financial statements in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Revenue

Refer to Note 4.3 significant accounting policies and explanatory Note 5 to the financial statements.

Risk Description

The Company has recognized a Revenue of Rs. 8,041,401,062/- for the year ended 31st March 2023.

Revenue from sale of goods is recognized when control has been transferred to the buyer and is measured at net of discounts.

The Company focuses on revenue as a key performance measure and as an important element in measuring management performance and how management are incentivized. Which could create an incentive for revenue to be recognized prior to control being transferred, resulting in a higher risk associated with revenue.

We identified the recognition of revenue as a key audit matter because revenue is a significant audit risk and one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of revenue recognition by management to meet specific targets or expectations.

Our Response

Our audit procedures included among others.

- ▶ Assessing the appropriateness of the revenue recognition accounting policies and assessing compliance in accordance with Sri Lanka Accounting Standards.
- ▶ Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of management's key internal controls in relation to revenue recognition from sales transactions.
- ▶ Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognized in the correct financial period.
- ▶ Testing a sample of sales transactions incurred during the year with the invoices, delivery notes and receipts.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA	W.K.D.C Abeyathne FCA
S.T.D.L. Perera FCA	G A U Karunarathne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA	Ms. P.M.K. Sumanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,		
Ms. F.R. Ziyard FCMA (UK), FTII		

Independent Auditors' Report



Carrying value of Inventories

Refer to Note 4.13 significant accounting policies and explanatory Note 16 to the financial statements.

Risk Description	Our Response
The inventory balance comprises of raw materials, packing materials, finished goods, semi-finished goods, consumables, spares and accessories amounting to Rs. 2,335,620,191/- as at 31 st March 2023. These inventories represent 48% of the total assets as at 31 March 2023.	Our audit procedures included among others. <ul style="list-style-type: none"> ▶ Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of management's key internal controls in relation to recognition, measurement of Inventory and Inventory provisioning. ▶ Assessing, on a sample basis, the net realizable value by comparing the actual cost with selling price less cost to sell. ▶ Attending stock counts as at the year end at sample basis. In addition, assessing the effectiveness of the physical count controls in operation to identify damaged stocks, expired stocks and stock shortages that are written off in a timely manner. ▶ Assessing, on a sample basis, the accuracy of the Inventory aging. ▶ Gaining an understanding of the movements in the inventory for the year and assess the adequacy of the provision for non-moving and slow-moving inventory. ▶ Comparing, on a sample basis, specific inventory purchases transactions recorded before and after the financial year end date with the underlying goods received notes to assess whether the related purchases had been recognized in the correct financial period. ▶ Testing a sample of purchases transactions incurred during the year with the Purchase orders, invoices and goods received notes.
Inventories are carried at lower of cost or net realizable value (NRV). There is a risk that carrying value may exceed their NRV due to obsolete/damaged or expired products.	
Carrying value of inventories is identified as a Key Audit Matter because establishing a provision for slow-moving, obsolete and damaged inventory and valuation of inventories involve significant judgements and assumptions exercised by the management and the amount involved.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuS 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3544.



Chartered Accountants

Colombo, Sri Lanka
31st July 2023

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31st March	Note	2023 Rs.	2022 Rs.
Revenue	5	8,041,401,062	4,872,432,361
Cost of Sales		(6,131,492,233)	(3,696,132,867)
Gross Profit		1,909,908,829	1,176,299,494
Other Operating Income	6	19,070,169	9,193,801
Distribution Expenses		(765,466,114)	(540,445,767)
Administrative Expenses		(243,146,344)	(185,091,361)
Results from Operating Activities		920,366,540	459,956,167
Finance Income	7.1	21,835,598	40,957,256
Finance Expenses	7.2	(294,758,455)	(11,679,300)
Net Finance (Expenses)/Income		(272,922,857)	29,277,956
Profit Before Tax	8	647,443,683	489,234,123
Income Tax Expenses	9	(126,938,121)	(103,644,723)
Profit for the Year		520,505,562	385,589,400
Other Comprehensive Income			
<i>Items that will not be reclassified to Profit or Loss</i>			
Actuarial Gain/(Loss) on Retirement Benefit Obligation	25	15,729,693	5,096,184
Deferred Tax on Other Comprehensive Income		(4,718,908)	(917,313)
Other Comprehensive Income for the Year		11,010,785	4,178,871
Total Comprehensive Income for the Year		531,516,347	389,768,271
Basic and Diluted Earnings Per Share	10	189.27	140.21
Dividend per share	11	3.50	10.00

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 116 to 148. The Report of the Auditors is given on pages 109 to 111.

Statement of Financial Position

As At 31st March	Note	2023 Rs.	2022 Rs.
Assets			
Non Current Assets			
Property, Plant and Equipment	12	619,605,790	616,391,944
Right of Use Assets	13	119,753,786	116,325,327
Intangible Assets	14	6,836,928	7,827,705
Investment in Subsidiary	15	-	20
Total Non Current Assets		746,196,504	740,544,996
Current Assets			
Inventories	16	2,335,620,191	1,136,374,206
Trade and Other Receivables	17	1,583,103,929	636,390,109
Amounts due from Related Companies	18	44,397,837	26,337,704
Short Term Investments	19	-	418,645,514
Cash and Cash Equivalents	20	149,301,596	200,125,734
Total Current Assets		4,112,423,553	2,417,873,267
Total Assets		4,858,620,057	3,158,418,263
Equity and Liabilities			
Equity			
Stated Capital	21	52,521,178	52,521,178
Other Reserves	22	41,613,945	41,613,945
Retained Earnings		2,346,194,703	1,982,289,617
Total Equity		2,440,329,826	2,076,424,740
Liabilities			
Non Current Liabilities			
Deferred Tax Liability	23	15,425,128	17,168,762
Lease Liabilities	24	115,038,544	112,526,574
Retirement Benefit Obligation	25	69,182,846	70,888,677
Total Non Current Liabilities		199,646,518	200,584,013
Current Liabilities			
Trade and Other Payables	26	837,620,587	783,769,818
Lease Liabilities	24	17,217,559	7,987,138
Current Tax Liabilities	27	14,142,822	32,074,465
Amount due to Related Companies	28	132,059,531	30,546,978
Short Term Borrowings	29	1,040,000,000	-
Bank Overdrafts	20	177,603,214	27,031,111
Total Current Liabilities		2,218,643,713	881,409,510
Total Liabilities		2,418,290,231	1,081,993,523
Total Equity and Liabilities		4,858,620,057	3,158,418,263
Net assets value per share		887.39	755.06

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 116 to 148. The Report of the Auditors is given on pages 109 to 111.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

S.K.I.S. Senarathne
General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board;

R.S.A. Wickramasingha
Chairman

31st July 2023
Colombo

E.T. De Zoysa
Managing Director

Statement of Changes In Equity

For the Year Ended 31st March	Stated Capital Rs.	Other Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2021	52,521,178	41,613,945	1,620,021,346	1,714,156,469
<i>Comprehensive Income for the Year</i>				
Profit for the year	-	-	385,589,400	385,589,400
Other Comprehensive Income for the year	-	-	4,178,871	4,178,871
Total Comprehensive Income for the Year	-	-	389,768,271	389,768,271
<i>Transactions with owners of Equity</i>				
Payment of dividend for the year 2020/2021 (Rs. 10 per share)	-	-	(27,500,000)	(27,500,000)
Balance as at 31st March 2022	52,521,178	41,613,945	1,982,289,617	2,076,424,740
Balance as at 1st April 2022	52,521,178	41,613,945	1,982,289,617	2,076,424,740
Surcharge Tax paid for the year 2020/2021			(157,986,260)	(157,986,260)
Balance as at 1st April 2022 (Adjusted)	52,521,178	41,613,945	1,824,303,357	1,918,438,480
<i>Comprehensive Income for the Year</i>				
Profit for the year	-	-	520,505,562	520,505,562
Other Comprehensive Income for the year	-	-	11,010,785	11,010,785
Total Comprehensive Income for the Year	-	-	531,516,347	531,516,347
<i>Transactions with owners of Equity</i>				
Payment of dividend for the year 2021/2022 (Rs. 3.5 per share)	-	-	(9,625,000)	(9,625,000)
Balance as at 31st March 2023	52,521,178	41,613,945	2,346,194,703	2,440,329,826

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 116 to 148. The Report of the Auditors is given on pages 109 to 111.

Statement of Cash Flows

For the Year Ended 31st March	Note	2023 Rs.	2022 Rs.
Cash Flows From Operating Activities			
Profit Before Tax		647,443,683	489,234,123
<i>Adjustments for:</i>			
Depreciation of Property, Plant and Equipment	12	82,260,768	58,385,307
Amortization of Intangible Assets	14	1,625,389	1,446,714
Depreciation of Right of use Assets	13	12,277,316	9,555,443
Interest Income	7.1	(21,835,598)	(40,957,256)
Interest Expenses	7.2	290,548,739	9,688,186
(Reversal) / Provision for Slow Moving & Obsolete Inventories		-	(2,478,737)
(Reversal) / Provision for Impairment of Trade Receivables		4,921,476	704,116
Provision for Retirement Benefit Obligation	25	17,217,461	11,181,112
Operating Profit before Working Capital Changes		1,034,459,234	536,759,008
<i>Changes in Working Capital</i>			
(Increase) / Decrease in inventories		(1,199,245,985)	(891,861,619)
(Increase) / Decrease in Trade and Other Receivables		(951,635,296)	114,838,871
(Increase) / Decrease in Amount due from Related Companies		(18,060,133)	(17,006,660)
Increase / (Decrease) in Amount due to Related Companies		101,512,553	2,915,726
Increase / (Decrease) in Trade and Other Payables		1,093,850,773	171,840,583
Cash (Used in)/Generated from Operations		60,881,146	(82,514,091)
Retiring Gratuity Paid	25	(3,193,600)	(24,727,900)
Interest Paid	7.2	(290,548,739)	(9,688,186)
Income Tax Paid		(151,332,308)	(99,390,219)
Surcharge Tax Paid		(157,986,260)	-
Net Cash Flows (Used in)/from Operating Activities		(542,179,761)	(216,320,396)
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment	12	(85,474,614)	(180,163,951)
Purchase of Intangible Assets	14	(634,612)	(2,838,911)
Interest Received	7.1	21,835,598	40,957,256
Investment in Subsidiaries		20	-
Withdrawal of / (Investment in) Fixed Deposits		418,645,514	521,830,245
Net Cash Flows from / (Used in) Investing Activities		354,371,905	379,784,639
Cash Flows from Financing Activities			
Repayment of Lease		(3,963,385)	(3,189,045)
Dividend Paid	11	(9,625,000)	(27,500,000)
Net Cash Flows (Used in)/Generated from Financing Activities		(13,588,385)	(30,689,045)
Net (Decrease) / Increase in Cash and Cash Equivalents		(201,396,241)	132,775,198
Cash and Cash Equivalents at the Beginning of the Year		173,094,623	40,319,425
Cash and Cash Equivalents at the End of the Year	20	(28,301,618)	173,094,623

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 116 to 148. The Report of the Auditors is given on pages 109 to 111.

Significant Accounting Policies

1. Corporate information

1.1 General

Convenience Foods (Lanka) PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office of the Company is located at No.555, High Level Road, Makumbura, Pannipitiya and the principal place of business is situated at No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana.

1.2 Principal activities and nature of operations

The Company is engaged in the manufacturing and marketing of Textured Soy Protein (TSP) and other food products.

1.3 Parent Company

The Company's parent undertaking is CBL Investments Limited. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is also CBL Investments Limited, which is incorporated in Sri Lanka.

1.4 Date of authorization for issue

The Financial Statements of the Company for the year ended 31st March 2023 were authorized for issue under a resolution of the Board of Directors on 31st July 2023.

2. Basis of preparation

2.1 Statement of compliance

The Financial Statements of the Company (statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007. Further, The tax liability arising from the Surcharge tax Act No:14 Of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountant of Sri Lanka is disclosed under the note 9 on income taxes.

2.2 Basis of measurement

The Financial Statements have been prepared on the historical cost basis except in respect of the following material item in the statement of financial position:

The defined benefit obligation is recognized at the present value of the defined benefit obligation.

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency and presentation currency. All financial information presented in Sri Lankan Rupees is rounded to the nearest rupee unless otherwise stated.

2.4 Comparative information

The accounting policies have been consistently applied by the Company with those of the previous financial year. The presentation and classification of the Financial Statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current period for the better presentation of financial information. The management has reasonable evidence that such presentation would be more relevant for the understanding of the entity's financial performance and financial position.

2.5 Materiality & aggregation

In compliance with LKAS 01 on presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately if they are material.

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any

accounting standard or interpretation, and as specifically disclosed in the accounting policies.

3. Significant accounting judgements, estimates and assumptions

The preparation of Financial Statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Company to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgements and estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the Financial Statements. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

- a) Useful life of PPE (Note 4.9.1)
- b) Taxes (Note 9)
- c) Employee benefit liability (Note 25)
- d) Provision for expected credit losses of trade receivables (Note 17)

- e) Right-of-use assets and lease liabilities (Note 13 and Note 24)
- f) Going concern basis (Note 3)

3.1 Income Tax and Deferred tax assets/liabilities

The Company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters could be different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

Deferred tax assets are recognized for all deductible temporary differences and tax credits to the extent it is probable that taxable profits will be available against which these losses/credits can be utilized. Management judgements are required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

3.2 Useful lifetime of the property, plant and equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3.3 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

3.4 Loss allowance on financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company makes impairment for receivables based on the Expected Credit Losses (ECLs) as per SLFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

In assessing collective impairment, the Company uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred, and makes an adjustment if current and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

3.5 Defined benefit plans

The cost of defined benefit plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

4. Summary of significant accounting policies

The significant accounting policies applied by the Company in preparation of its financial statements are included below.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise is indicated.

4.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is considered as current when:

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

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities accordingly.

Significant Accounting Policies

4.2 Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates the transactions were affected.

At each reporting date, monetary items denominated in foreign currencies are translated into local currencies at the rates of exchange prevailing at the reporting date while non-monetary items are reported at the rates prevailing at the date of the transactions were affected.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the initial transaction, and non-monetary items that are translated using the exchange that existed when then the values were determined.

The exchange difference arising on the translations are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

4.3 Revenue recognition

4.3.1 Sale of goods

The Company considers sale and delivery of products as one performance obligation and recognizes revenue when it transfers control to a customer.

Revenue principally comprises, sales of products to external customers. Revenue is measured at the fair value of the consideration received or receivable and excludes taxes collected on behalf of third parties, rebates, discounts and certain marketing expenses which are not distinctive from sales.

The Company applies the five-step process to recognize revenue:

- I. Identify contracts with customers
- II. Identify the separate performance obligation
- III. Determine the transaction price of the contract
- IV. Allocate the transaction price to each of the separate performance

- obligations, and
- V. Recognize revenue when performance obligation is satisfied

Under the Company's standard practice, customers have a right to return damaged and/or expired goods. At the time of return, adjustment to revenue is recognised in the financial statements with a corresponding adjustment against trade receivables. Such returns are recognized as income from scrap sales at the point of disposal.

The Company uses historical experience to estimate the number of returns on a portfolio basis. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

4.3.2 Interest income

Interest income is recognised using the Effective Interest Rate (EIR) method.

4.3.3 Dividend income

Dividend income is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established.

4.3.4 Other income

Other income is recognized on an accrual basis.

4.3.5 Gain and losses on disposals

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amount of property plant & equipment and are recognised net within "other income" in profit or loss.

4.4 Expenditure recognition

Expenses are recognised in profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the profit or loss.

For the purpose of presentation of the statement of profit or loss, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

4.5 Finance income and Finance cost

Finance income comprises interest income on funds invested, dividend income, changes in fair value of financial assets at fair value through profit or loss, that are recognised in the statement of profit and loss.

Financial cost comprises changes in fair value of financial assets at fair value through profit and loss, that are recognized in the statement of profit or loss. The interest expense component of finance lease payments is allocated to each period during the lease term, and it is recognised in the statement of profit or loss.

4.6 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The Company has determined that interest and penalties related to income taxes, including uncertainties tax treatments, do not meet definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, contingent liabilities and contingent assets.

4.6.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

Current tax relating items are recognised directly in statement of profit & loss.

4.6.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting period date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognised for all deductible differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Un-recognised deferred tax assets are re-assessed at each statement of financial position date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

Temporary differences in relation to a right-of-use asset and lease liability are regarded as a net package (net lease liability) for the purpose of recognizing deferred tax.

The deferred tax assets and the deferred tax liabilities of the Company can be offset if and only if it has a legally enforceable right to set off.

The deferred tax assets and liabilities relate to tax levied by the same tax authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in

which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.7 Social Security Levy (SSCL)

Social Security Contribution Levy (SSCL) on manufacturing sector SSCL on manufacturing sector is calculated with effect from 01 October 2022 in accordance with Social Security Contribution Levy Act, No. 25 of 2022. SSCL should pay all the persons with an aggregate turnover exceeding LKR 120,000,000 within 12 months, manufacturing sector should recognize 85% as their liable turnover, have to pay the tax 2.5% on their liable turn over.

4.8 Earnings Per Share (EPS)

The Company presents basic Earnings Per Share (EPS) based on profit or loss attributable to the ordinary shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

4.9 Non-financial assets

4.9.1 Property, plant and equipment

The Company applies the requirement of LKAS 16 on "Property Plant & Equipment" in accounting for its owned assets which are held for and used in the provision of the service or for administration purpose and are expected to be used more than one year.

Recognition and measurement

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 - Property, plant & equipment. Initially, property, plant and equipment are measured at cost.

Cost model

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognized in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment is recognized in the statement of profit or loss as incurred.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The rate of depreciation based on the estimated useful life is as follows:

Category of asset	Depreciation rate (%)
Buildings	4
Machinery	12.5
Tools and equipment	15
Motor vehicles	25
Furniture and fittings	20
Electrical installations	15
Office equipment	15
Computers	25
Point of sale equipment	50

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate, at each financial year end with the effect of any changes in such estimates accounted for prospectively.

Significant Accounting Policies

De-recognition

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from the use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'other income' in profit or loss in the year the asset is de-recognised.

4.9.2 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such exists, then the assets recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

The Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

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.

4.10 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.10.1 Right of use asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. (The date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any

lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.10.2 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. 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.

4.11 Intangible assets

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured.

4.11.1 Basis of recognition

Intangible assets purchased separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

4.11.2 Useful Economic Lives and Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

Description	Period
Computer software	10

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Computer software

Purchased computer software is stated at cost less accumulated amortization and any accumulated impairment losses. It is amortized over its estimated life of ten years using the straight-line method. If there is any indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization of the asset is revised prospectively to reflect the new expectations.

4.11.3 De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

4.11.4 Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Statement of Profit or Loss as incurred.

4.12 Investment in subsidiary

The Board of directors resolved to liquidate its subsidiary of Soy products (Pvt) Limited on 05th August 2022. Legal proceedings which related liquidation has been completed on 19th December 2022. Since the Company was in dormant status, there's no material financial impact to the financial statements as at 31st March 2023.

4.13 Inventories

Inventories are valued at the lower of cost and Net Realisable Value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Costs incurred in bringing inventories to their present conditions and locations are determined as follows:

Raw Materials and Consumables	- At actual cost on weighted average basis.
Finished Goods	- At actual cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
Spares and Accessories	- At actual cost on weighted average basis.

4.14 Financial Instruments

4.14.1 Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

4.14.2 Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Significant Accounting Policies

Financial assets at amortised cost

All financial assets of the Company represent financial assets at amortised cost and include trade and other receivables, amounts due from related parties, short term investments and cash and cash equivalents.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

a) Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated.

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

b) Assessment whether contractual cash flows are solely payment of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features; and

- Terms that limits the Company's claim to cash flows from specific assets (e.g. non-recourse features)

The prepayment feature is consistent with the solely payment of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable addition compensation for early termination of the contract.

4.14.3 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

4.14.4 De-recognition

a) Financial assets

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

b) Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4.14.5 Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.14.6 Impairment

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company historical experience and informed credit assessment, that includes forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

4.14.7 Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off.

4.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made towards the amount of the obligations. The expense relating to any provision is presented in profit or loss net of any reimbursement.

4.16 Stated capital

Ordinary shares are classified as equity. The equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

4.17 Employee benefits

4.17.1 Defined benefit plan – gratuity

The Company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which an obligation to pay gratuity arises only on completion of 5 years of continued service. The Company obligation under the said Act is determined based on an actuarial valuation, using the projected unit credit method, carried out by a professional actuary.

The Company recognises the total actuarial gain and loss that arises in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

4.17.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss as in the periods during which services are rendered by employees.

a) Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Provident Fund.

b) Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

Significant Accounting Policies

4.18 Statement of cash flows

The statement of cash flows has been prepared using the indirect method, as stipulated in LKAS 7- statement of cash flows. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

4.19 Segmental information

A segment is a distinguishable component engaged in providing services and that is subject to risks and returns that are different to those of other segments. The Company does not have distinguishable components to be identified as a segment as all operations are treated as one segment.

4.20 New Accounting Standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRS/LKRSs) which will become applicable for financial periods after 1st April 2023. Accordingly, the Company has not applied the following new standards in preparing these Financial Statements.

a) Classification of liabilities as current or non-current –Amendment to LKAS 1

Amendments to LKAS 1 presentation of financial statements specify the requirements for classifying liabilities as current or non-current. The amendment clarifies

- ▶ What is meant by a right to defer settlement
- ▶ That a right to defer must exist at the end of the reporting period
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ▶ Disclosures
- ▶ The amendments are effective for annual reporting periods beginning on or after 1st January 2023

b) Amendments to LKAS 8 – Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual reporting periods beginning on or after 1st January 2023. Earlier application is permitted.

c) Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments are effective for annual reporting periods beginning on or after 1st January 2023.

4.21 Contingent Liabilities

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.

4.22 Events after the reporting period

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31st March 2023.

Notes to the Financial Statements

5 Revenue

The Company generates revenue primarily from the sale of product lines of soyameat, spices and cereal etc.

	2023 Rs.	2022 Rs.
Local Sales	7,981,261,737	4,913,902,043
Export Sales	129,670,687	52,604,595
Sales Returns - Local	(69,531,362)	(94,074,277)
	8,041,401,062	4,872,432,361
Manufacturing	7,717,240,395	4,568,656,311
Trading	324,160,667	303,776,050
	8,041,401,062	4,872,432,361
5.1 Timing of Revenue Recognition		
Goods transferred at point in time	8,041,401,062	4,872,432,361
Under SLFRS 15, revenue is recognised upon satisfaction of a 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.		
Contract Balances		
Receivables, which are included in "trade receivables"	873,682,906	559,949,115

Contract balances are comprised with contract assets. Contract assets are the Company right to consideration in exchange for goods or services that the Company has transferred to a customer, with rights that are conditional on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables.

6 Other Operating Income

For the Year Ended 31st March	2023 Rs.	2022 Rs.
Net Scrap Sales Income	11,186,387	8,342,619
Sundry Income	1,236,078	824,055
Exchange gain / (loss)	6,647,704	27,127
	19,070,169	9,193,801

Other income is recognized on an accrual basis.

Notes to the Financial Statements

7 Net Finance Income / (Costs)

For the Year Ended 31st March	2023 Rs.	2022 Rs.
7.1 Finance Income		
Interest Income	21,835,598	40,957,256
	21,835,598	40,957,256
7.2 Finance Expenses		
Bank Charges	4,209,716	2,568,343
Overdraft Interest	30,226,341	-
Short Term Loan Interest on working capital loans	250,060,234	-
Lease Interest	10,199,522	9,058,007
Interest on Security Deposits	62,642	52,950
	294,758,455	11,679,300
Net finance income / (costs) recognised in profit or loss	(272,922,857)	29,277,956

8 Profit before Tax

8.1 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 "Expenses by nature" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

Profit before Tax is stated after charging all expenses including the following:

For the Year Ended 31st March	2023 Rs.	2022 Rs.
Raw Materials and Packing Materials	5,371,289,407	3,171,191,317
Employee related costs	577,512,009	486,321,821
Contributions to Employees' Provident Fund	28,729,353	24,950,443
Contributions to Employees' Trust Fund	7,134,137	6,195,372
Defined benefit plan contribution	17,217,462	11,181,112
Staff Welfare	75,444,334	61,172,171
Directors Remuneration	40,559,325	36,759,215
Depreciation of Property, Plant & Equipment	82,260,768	58,385,307
Amortisation of Intangible Assets	1,625,389	1,446,714
Depreciation of Right of use Assets	12,277,316	9,555,443
Audit and related services	1,453,856	966,666
Investment in Research & Development	935,353	524,619
Investment in Training & Development	4,085,657	2,279,986
(Reversal) / Charge of impairment for trade receivables	4,921,476	704,116
(Reversal) / Charge of impairment for obsolete inventories	54,104,265	(2,478,781)

9 Income Tax Expenses

For the Year Ended 31st March	2023 Rs.	2022 Rs.
Income Tax for the year (Note 9.1)	145,663,519	93,703,742
Over provision of previous year's taxes	(12,262,856)	(567,146)
Deferred tax recognized during the year (Note 23.1)	(6,462,542)	10,508,127
	126,938,121	103,644,723

9.1 Reconciliation between Accounting Profit and Taxable Income

For the Year Ended 31st March	2023 Rs.	2022 Rs.
Accounting Profit before Tax	647,443,683	489,234,123
Disallowable Expenses	134,379,571	153,216,835
Allowable Deductions	(131,515,426)	(146,766,449)
Investment Income	(40,242,725)	(64,158,876)
Business Income	610,065,103	431,525,634
Investment Income	40,242,725	64,158,876
Total Taxable Income	650,307,828	495,684,510
Taxable Income at 14%	-	33,823,860
Taxable Income at 18%	399,710,443	364,635,894
Taxable Income at 24%	24,392,934	97,224,756
Taxable Income at 28%	-	-
Taxable Income at 30%	226,204,451	-
	650,307,828	495,684,510
Income Tax		
Tax at 14%	-	4,735,340
Tax at 18%	71,947,880	65,634,461
Tax at 24%	5,854,304	23,333,941
Tax at 30%	67,861,335	-
Income Tax for the year	145,663,519	93,703,742

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 01 October 2022) for income and deferred taxation. Accordingly, income tax rates of, 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months. The Rate of 30% has been used for Deferred Tax. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income. Income tax rates used in the previous year were 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income.

Notes to the Financial Statements

Surcharge tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs.2,000 Mn, for the year of assessment 2020/2021. The liability is computed at the rate of 25 percent on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax of Rs.157,986,260 has been recognised for the Company as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

10 Basic and Diluted Earnings Per Share

Earnings Per Share has been calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year. There were no potentially diluted shares outstanding at any time during the year. Therefore, The Diluted earnings per share are equal to the Basic earnings per share.

For the Year Ended 31st March	2023	2022
Profit for the year attributable to Ordinary Shareholders (Rs.)	520,505,562	385,589,400
Weighted average number of Ordinary Shares	2,750,000	2,750,000
Basic / Diluted Earnings per Share (Rs.)	189.27	140.21

11 Dividends Per Share

For the Year Ended 31st March	2023	2022
First and Final Dividend (Rs.)	9,625,000	27,500,000
Number of Ordinary Shares	2,750,000	2,750,000
Dividend per Share (Rs.)	3.50	10.00

12 Property, Plant and Equipment

As at 31st March	Buildings	Machinery	Furniture Fittings & Office Equipment	Motor Vehicles	Installation, Tools & Equipment	Point of Sale Equipment	Capital work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Balance as at 1st April 2021	262,719,888	183,837,935	47,222,150	57,658,728	32,619,048	7,189,560	266,731,051	857,978,360
Additions during the year	102,860,887	312,665,681	20,388,543	850,000	6,759,497	3,370,395	-	446,895,003
Disposals/Transfers during the year	-	-	-	(4,758,952)	-	-	(266,731,051)	(271,490,003)
Balance as at 31st March 2022	365,580,775	496,503,616	67,610,693	53,749,776	39,378,545	10,559,955	-	1,033,383,360
Balance as at 1st April 2022	365,580,775	496,503,616	67,610,693	53,749,776	39,378,545	10,559,955	-	1,033,383,360
Additions during the year	13,190,224	42,202,091	2,265,050	-	6,852,249	20,965,000	-	85,474,614
Balance as at 31st March 2023	378,770,999	538,705,707	69,875,743	53,749,776	46,230,794	31,524,955	-	1,118,857,974
Accumulated Depreciation								
Balance as at 1st April 2021	90,034,173	154,484,342	36,467,351	47,186,056	28,645,996	6,235,142	-	363,053,060
Charge for the year	12,543,605	31,781,550	6,568,514	4,946,676	1,588,332	1,268,630	-	58,697,307
Disposals during the year	-	-	-	(4,758,952)	-	-	-	(4,758,952)
Balance as at 31st March 2022	102,577,778	186,265,892	43,035,865	47,373,780	30,234,328	7,503,772	-	416,991,415
Balance as at 1st April 2022	102,577,778	186,265,892	43,035,865	47,373,780	30,234,328	7,503,772	-	416,991,415
Charge for the year	14,250,501	47,478,813	8,012,892	4,639,813	2,467,859	5,410,890	-	82,260,768
Balance as at 31st March 2023	116,828,279	233,744,705	51,048,757	52,013,593	32,702,187	12,914,662	-	499,252,183
Carrying Value								
As at 31st March 2023	261,942,720	304,961,002	18,826,986	1,736,183	13,528,607	18,610,293	-	619,605,790
As at 31st March 2022	263,002,997	310,237,724	24,574,828	6,375,996	9,144,217	3,056,183	-	616,391,944

12.1 Cost of Property, Plant and Equipment amounting to Rs. 263,178,159 (2022 - Rs. 250,977,152), which were fully depreciated are still in use as at the end of the reporting date.

The Property Plant Equipment are recognized and measured in accordance to LKAS 16.

LKAS 16 Property Plant and Equipment only requires the carrying amount at the beginning and at the end of the reporting period.

12.2 There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

12.3 During the financial year, the Company has acquired PPE to the aggregate value of Rs. 85.5 million (2022 - Rs.180.1 million excluding capital work in progress transfers.)

12.4 During the reporting period, there were no capitalised borrowing costs related to the acquisition of property, plant and equipment.

12.5 There were no contractual commitment for acquisition of property, plant and equipment as at the reporting date.

12.6 There were no temporarily idle property, plant or equipment as at the reporting date.

12.7 The carrying value of property, plant and equipment has been disclosed in Note 12.

12.8 The Company has not disposed none of PPE during the reporting period.

Notes to the Financial Statements

13 Right of Use Assets

Information about leases for which the Company is a lessee is presented below.

Following mentioned the carrying amounts of the Company's right of use assets and the movements for the year ended 31st March 2023.

	Land Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Rs.
Cost				
Balance as at 1st April 2021	6,580,075	19,104,281	27,339,965	53,024,321
Additions during the year	-	-	82,867,759	82,867,759
Balance as at 31st March 2022	6,580,075	19,104,281	110,207,724	135,892,080
Balance as at 1st April 2022	6,580,075	19,104,281	110,207,724	135,892,080
Additions during the year	-	15,705,774	-	15,705,774
Balance as at 31st March 2023	6,580,075	34,810,055	110,207,724	151,597,854
Accumulated Depreciation				
Balance as at 1st April 2021	1,708,501	8,302,807	2,733,997	12,745,305
Charge during the year	69,592	5,077,542	4,408,309	9,555,443
Disposals during the year	-	-	(2,733,996)	(2,733,996)
Balance as at 31st March 2022	1,778,093	13,380,349	4,408,310	19,556,752
Balance as at 1st April 2022	1,778,093	13,380,349	4,408,310	19,556,752
Charge during the year	69,588	7,799,420	4,408,308	12,277,316
Disposals during the year	-	-	-	-
Balance as at 31st March 2023	1,847,681	21,179,769	8,816,618	31,844,068
Carrying Value				
As at 31st March 2023	4,732,394	13,630,286	101,391,106	119,753,786
As at 31st March 2022	4,801,982	5,723,932	105,799,414	116,325,327

13.1 The details of the leasehold land is as follows:

Property	Lease period	Lessor	Extent	Number of Buildings
No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana.	99 Years commencing from 23 March 1994	Urban Development Authority	2A- 2R- 5.50P	2

13.2 Right of use asset related to leased properties that do not meet the definition of investment property are presented as property.

13.3 There is a land which has been leased for 99 years of lease term. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

13.4 During the reporting period the total cash outflow for leases excluding interest Rs.3,963,385.

13.5 There are no sub leases during the reporting period.

14 Intangible Assets

As at 31st March	2023 Rs.	2022 Rs.
Computer Software		
Cost		
Balance as at 1st April	16,270,566	13,431,655
Additions during the year	634,612	2,838,911
Balance as at 31st March	16,905,178	16,270,566
Accumulated Amortization		
Balance as at 1st April	8,442,861	6,996,147
Charge for the year	1,625,389	1,446,714
Balance as at 31st March	10,068,250	8,442,861
Carrying Value	6,836,928	7,827,705

The amortization expenditures on intangible assets (Computer Software) with finite life is recognised in the income statement under administration expenses.

15 Investment in Subsidiary

The Board of directors resolved to liquidate its subsidiary of Soy products (Pvt) Limited on 05th August 2022. Legal proceedings which related liquidation has been completed on 19th December 2022. Since the Company was in dormant status, there is no material financial impact to the financial statements for the year ended 31st March 2023.

16 Inventories

As at 31st March	2023 Rs.	2022 Rs.
Raw Materials and Consumables		
Finished Goods	1,853,968,177	917,282,523
Semi Finished Goods	255,224,057	135,115,824
Spares and Accessories	178,127,258	38,595,532
	104,798,608	47,773,971
Provision for Slow Moving & Obsolete Inventories (Note 16.1)	2,392,118,100	1,138,767,850
	(56,497,909)	(2,393,644)
	2,335,620,191	1,136,374,206

* Inventories are valued at the lower of cost or net realisable value.

16.1 Provision For Slow Moving / Obsolete Inventories

As at 31st March	2023 Rs.	2022 Rs.
Balance as at 1st April		
(Reversal) / Charge during the year	2,393,644	4,872,425
Balance as at 31st March	54,104,265	(2,478,781)
	56,497,909	2,393,644

Notes to the Financial Statements

17 Trade and Other Receivables

As at 31st March	2023 Rs.	2022 Rs.
Trade Receivables	873,682,906	559,949,115
Provision for Impairment of Trade Receivables (Note 17.2)	(9,748,616)	(4,827,140)
	863,934,290	555,121,975
17.1 Other Receivables		
Staff loans	7,288,868	5,960,469
Advances	387,341,693	22,473,237
Prepayments	324,539,078	52,834,428
	719,169,639	81,268,134
	1,583,103,929	636,390,109

17.2 Provision for Impairment of Trade Receivables

As at 31st March	2023 Rs.	2022 Rs.
Balance as at 1st April	4,827,140	4,123,024
(Reversal) / Charge during the year	4,921,476	704,116
Balance as at 31st March	9,748,616	4,827,140

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Charge during the year for expected credit losses on trade receivables was recognized as Rs.4,921,476.

18 Amounts due from Related Companies

As at 31st March	2023 Rs.	2022 Rs.
Ceylon Biscuits Limited	1,134,215	443,659
CBL Foods International (Private) Limited	799,136	4,127,411
Plenty Foods (Private) Limited	27,172,551	14,131,436
SPAR SL (Private) Limited	13,845,006	7,635,198
CBL Exports (Private) Limited	235,144	-
CBL Natural Food (Private) Limited	1,211,785	-
	44,397,837	26,337,704

19 Short Term Investments

As at 31st March	2023 Rs.	2022 Rs.
Investment in Fixed Deposits	-	418,645,514
	-	418,645,514

19.1 Withdrawn the short-term investments to support for working capital requirement.

20 Cash and Cash Equivalents

As at 31st March	2023 Rs.	2022 Rs.
Sampath Bank current account	87,604,270	-
Nations Trust Bank money market savings account	32,036,420	-
People's Bank money market savings account	7,698,834	7,208,544
Commercial Bank money market savings (Note 20.1)	5,371,273	1,575,254
Nations Trust Bank current account	4,802,269	-
Hatton National Bank business foreign currency account	4,589,724	2,606,887
Hatton National Bank current account (Dividend)	2,445,153	2,445,153
State Bank of India current account	1,404,224	16,218,133
DFCC Bank money market savings account	625,204	-
Hatton National Bank money market savings (Note 20.1)	589,024	138,656,573
Bank of Ceylon current account	571,701	572,701
Commercial Bank current account	500,000	(851,026)
DFCC Bank current account	500,000	-
People's Bank current account	413,500	498,500
Petty cash	150,000	150,000
Standard Chartered Bank money market savings account	-	29,693,989
Hatton National Bank current account (Note 20.1)	(76,420,328)	(26,180,085)
Standard Chartered Bank current account	(101,182,886)	500,000
	(28,301,618)	173,094,623
Cash at Bank	149,151,596	199,975,734
Cash in Hand	150,000	150,000
	149,301,596	200,125,734
Bank Overdraft (Book balance with a right of set-off)	(177,603,214)	(27,031,111)
Cash & Cash Equivalents for the purpose of Cash Flows	(28,301,618)	173,094,623

20.1 The money market savings accounts with Hatton National Bank, Commercial Bank, People's Bank, Standard Chartered Bank, Nation Trust Bank and DFCC Bank are operated as savings accounts linked with current accounts where a minimum balance of Rs. 500,000 is maintained at any given time.

Notes to the Financial Statements

21 Stated Capital

As at 31st March	2023 Rs.	2022 Rs.
Issued and fully paid up shares		
2,750,000 number of ordinary shares	52,521,178	52,521,178
	52,521,178	52,521,178

21.1 The ordinary shares of Convenience Foods (Lanka) PLC are Listed at the Colombo Stock Exchange.

21.2 The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

22 Other Reserves

As at 31st March	2023 Rs.	2022 Rs.
Gain on Disposal of Share Trust	41,613,945	41,613,945
	41,613,945	41,613,945

On 25 February 1992 and 25 June 1993, a total of 168,004 (One Hundred and Sixty Eight Thousand and Four) shares of the Company were purchased at a cost of Rs. 1,386,055 for the Share Trust setup by the Company. During the year ended 31 March 2015, the shares held by the trust were sold and the Company recognised the gain on disposal of shares held by trust. When these shares were disposed of by the Trust, the amount received were recognised as an increase in equity, and the resulting surplus from the transaction were transferred to a reserve without recognising any adjustments to the profit or total comprehensive income for the respective year.

23 Deferred Tax Liability

As at 31st March	2023 Rs.	2022 Rs.
Balance as at 1st April	(17,168,762)	(5,743,322)
(Charged)/Reversed during the year-recognized in Profit or Loss (Note 23.1)	6,462,542	(10,508,127)
Charged during the year-recognized in Other Comprehensive Income (Note 23.2)	(4,718,908)	(917,313)
Balance as at 31st March	(15,425,128)	(17,168,762)
23.1 Reversal / (Charge) during the year recognized in Profit or Loss		
Effect in charge in tax rates charged to Profit or Loss	12,057,384	-
Effect in charge in tax base charged to Profit or Loss	(5,594,842)	(10,508,127)
	6,462,542	(10,508,127)
23.2 Reversed / (Charge) during the year-recognized in Other Comprehensive Income		
Effect in charge in tax rates charged to Other Comprehensive Income	(611,542)	-
Effect in charge in tax base charged to Other Comprehensive Income	(4,107,366)	(917,313)
	(4,718,908)	(917,313)

23.3 The recognised deferred tax (asset) / liability of the Company is attributable to the following:

	2023		2022	
	Temporary Difference Rs.	Tax Effects Rs.	Temporary Difference Rs.	Tax Effects Rs.
On Property, Plant and Equipment	(204,081,175)	(61,224,352)	(182,481,839)	(32,846,731)
On Net Lease Liability	17,234,712	5,170,413	8,990,366	1,618,266
On Inventory Provision	56,497,909	16,949,373	2,393,644	430,856
On Trade Receivable Provision	9,748,616	2,924,585	4,827,140	868,885
On Retirement Benefit Obligation	69,182,846	20,754,854	70,888,677	12,759,962
	(51,417,091)	(15,425,128)	(95,382,012)	(17,168,762)

According to the Inland Revenue (Amendment) Act No.45 Of 2022, Deferred taxes of the Company is computed at the rate of 30% (2022 - 18%).

24 Lease Liabilities

As at 31st March	2023 Rs.	2022 Rs.
Balance as at 1st April	120,513,712	38,100,959
Modification of new leases	15,705,776	85,601,798
Interest Expense for the year	10,199,522	9,058,007
Payments during the year	(14,162,907)	(12,247,052)
Balance as at 31st March	132,256,103	120,513,712
Amount Payable within One Year	17,217,559	7,987,138
Amount Payable after One Year	115,038,544	112,526,574
	132,256,103	120,513,712
24.1 Following are the amounts recognised in profit or loss:		
Depreciation charge on right-of-use assets	12,277,316	9,555,443
Interest expense on lease liabilities	10,199,522	9,058,007
Short term leases	29,417,800	12,749,616
Total amount recognised in profit or loss	51,894,638	31,363,066
24.2 Following are the amounts recognized in the statement of cash flows:		
Total cash flows for leases	43,580,707	24,996,668
24.3 Maturity analysis		
Less than 1 year	17,217,559	7,987,138
Between 1 - 2 years	10,138,719	(867,950)
Between 2 - 5 years	36,432,000	359,195
More than 5 years	68,467,825	113,035,329
	132,256,103	120,513,712

Notes to the Financial Statements

25 Retirement Benefit Obligation

As at 31st March	2023 Rs.	2022 Rs.
Balance as at 1st April	70,888,677	89,531,649
Current Service Cost	6,584,160	3,570,922
Interest Cost	10,633,302	7,610,190
Actuarial Gain	(15,729,693)	(5,096,184)
Payments during the year	(3,193,600)	(24,727,900)
Balance as at 31st March	69,182,846	70,888,677

The amount recognised in the Statement of Profit or Loss and Other Comprehensive Income is as follows:

As at 31st March	2023 Rs.	2022 Rs.
Recognized in Statement in Profit or Loss		
Current Service Cost	6,584,160	3,570,922
Interest Cost	10,633,302	7,610,190
Recognized in Other Comprehensive Income		
Actuarial (Gain)/Loss	(15,729,693)	(5,096,184)
	1,487,769	6,084,928

25.1 An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2023 by Messrs. Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the retirement benefit obligations is the "Projected Unit Credit Method", recommended by Sri Lanka Accounting Standards-LKAS 19 (Employee Benefits). The actuarial valuation involves making assumptions as stated in the notes below.

The defined benefit plans in typically expose the Company to following risks.

Interest risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligations as per LKAS No.19 "Employee Benefits". Accordingly, a increase in the long-term interest rate will decrease the plan liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

25.2 The principal assumptions used for this purpose are as follows :

	2023	2022
Discount Rate	18%	15%
<i>Future Salary Increment Rate</i>		
Executives	12%	11%
Staff	12%	11%
Associates	12%	11%
Retirement Age (Years)	60	60
Average expected future services	9.7	12.5

*It is also assumed that the Company will continue in business as a going concern.

*The liability was not externally funded.

25.3 Assumptions regarding the future mortality are based on A1967/70 Mortality table, issued by the Institute of Actuaries, London, United Kingdom.

25.4 The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	2023		2022	
	Rs.		Rs.	
	-1%	+1%	-1%	+1%
Sensitivity Analysis - Discount rate				
Increase / (Decrease) of Obligation	6,371,957	(5,558,350)	7,553,707	(6,498,638)
Sensitivity Analysis - Salary Increment Rate				
Increase / (Decrease) of Obligation	(5,912,129)	6,683,823	(6,859,823)	7,862,129

26 Trade and Other Payables

As at 31st March	2023 Rs.	2022 Rs.
Trade Payables	592,017,764	556,371,909
Other Payables	58,884,380	24,543,304
Accrued Expenses	186,718,443	202,854,605
	837,620,587	783,769,818

*Trade and other payables are non-interest bearing and will be settled within one year.

*Trade payables are the aggregate amount of obligation to pay goods or services, that have been acquired in the ordinary course of business.

27 Current Tax Liabilities

	2023 Rs.	2022 Rs.
Balance as at 1st April	32,074,465	38,328,088
Over provision for previous year's taxes	(12,262,856)	(567,146)
Provision for the period	145,663,519	93,703,742
	165,475,128	131,464,684
Tax credit		
Economic service charge and Tax payments	(151,332,306)	(99,390,219)
Balance as at 31st March	14,142,822	32,074,465

Notes to the Financial Statements

28 Amounts due to Related Companies

	2023 Rs.	2022 Rs.
CBL Foods International (Private) Limited	14,627,535	3,917,100
Plenty Foods (Private) Limited	13,804,292	2,640,630
CBL Global Foods (Private) Limited	43,621,399	19,918,726
CBL Natural Foods (Private) Limited	3,661,481	-
Ceylon Biscuits Limited	52,244,625	583,968
CBL Corporate Services (Private) Limited	4,100,199	3,486,554
	132,059,531	30,546,978

29 Short Term Borrowings

29.1 Short Term Borrowings (Secured) :

Financial Institution	Type of Securities	Rate of Interest	Repayment Term	Maturity Date	Facility Available Rs. Mn	2023 Rs.	2022 Rs.
Borrowings from banks :							
Hatton National Bank PLC	Clean basis	AWPLR + 1%	90 Days	17-Jun-23	450	250,000,000	-
Nations Trust Bank PLC	Clean basis	AWPLR + 0.5%	120 Days	08-Jul-23	450	200,000,000	-
Standard Chartered Bank	Clean basis	AWPLR	-	-	100	-	-
						450,000,000	-
Financial Institution	Type of Securities	Rate of Interest	Maturity Term	Maturity Date	Facility Available Rs. Mn	2023 Rs.	2022 Rs.
Borrowings from intercompany:							
Ceylon Biscuits Limited	Clean basis	AWPLR + 0.5%	90 Days	27-May-23	870	450,000,000	-
Plenty Foods (Pvt) Ltd.	Clean basis	AWPLR + 0.5%	90 Days	26-Apr-23	140	140,000,000	-
						590,000,000	-
Total Short Term Borrowings						1,040,000,000	-

30 Commitments and Contingent Liabilities

30.1 Financial Commitments

Financial Commitments on account of Letters of credit as at 31st March 2023 was Rs. 180,364,438 (31st March 2022: Rs. 744,148,456). Shipping Guarantees as at 31st March 2023 was Nil (31st March 2022: Rs. 122,037,530). Import Bills as at 31st March 2023 was Nil (31st March 2022: Rs. 4,483,794).

30.2 Capital Commitments

There were no significant capital commitments as at reporting date.

30.3 Contingent Liabilities

There were no other significant contingent liabilities as at the reporting date except for the following:

The Company had made an appeal to the Court of Appeal on a question of law arising from the determination of the Board of Review and is made under and in terms of Section 122 (1) of the Inland Revenue Act No. 28 of 1979 (as amended). The income tax payable as per the Board of Review determination for the year of assessment 1991/1992 amounts to a sum of Rs. 8,871,886 and surcharge on income tax of Rs. 1,072,031 (plus any penalties payable thereon). The Court of Appeal has given judgment in favour of the Company and has annulled the assessment. The Commissioner General of Inland Revenue has filed a petition in the Supreme Court seeking Special Leave to Appeal against the judgment of the Court of Appeal on this matter. The Supreme Court has granted Special Leave to Appeal to questions of law raised by both parties. The case came up for argument on 28th February 2023 & fixed for the same on 13th September 2023.

31 Events after the reporting period

There were no significant events after the reporting date that would require adjustments to or disclosures in the financial statements except for;

Dividend

The Board of Directors of the Company has declared a final dividend of Rs. 4.70 per share for the financial year ended 31st March 2023. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors.

32 Impact of the economic situation in the country

In 2022, Sri Lanka faced a severe economic downturn due to both domestic and global challenges, as well as a currency crisis within the country. The economy contracted by 7.8 percent, the largest decline since independence, driven by a twin deficit, dwindling foreign exchange reserves, and high inflation caused by excessive money printing. Businesses heavily reliant on imports faced additional difficulties due to import bans and scarcity of products. The country's agricultural policy, which banned inorganic fertilizers, also contributed to the economic collapse. Fuel shortages and an energy crisis further exacerbated the challenges for businesses. Key fiscal policy measures implemented during this period include revisions to the Ports and Airports Development Levy (PAL) for imported items, reintroduction of a mandatory advance payment of income tax (APIT) system with higher tax rates, an increase in the standard income tax rate, higher exemptions and concessionary tax rates for specific gains and industries, an increase in capital gains tax (CGT), and the introduction of a social security contribution levy (SSCL) for companies with high annual revenue and imports. Additionally, there were increases in value-added tax (VAT) and excise duties on cigarettes, alcoholic beverages, and petroleum products. Recovery measures, including elevated policy rates and fiscal consolidation, were implemented with the support of the International Monetary Fund (IMF). By the second quarter of 2023, stability had largely been restored, and the outlook for the remainder of the year was positive.

Notes to the Financial Statements

33 Related Party Disclosures

33.1 Parent and ultimate controlling party

A majority of the Company's shares are owned by CBL Investments Limited.

33.2 Transactions with Key Management Personnel

Related parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key Management Personnel include members of the Board of Directors and identified senior management personnel of the Company. Compensation to Key Management personnel are as follows:

As at 31st March	2023 Rs.	2022 Rs.
Short term employee benefits	90,425,712	77,935,986
Post employment benefits	8,468,760	6,090,600
	98,894,472	84,026,586

33.3 Transactions with Related Companies

Name of the Company	Relationship	Nature of Transaction	Transaction Value Rs.	% Value of Total Transactions	Balance as at	
					2023 Rs.	2022 Rs.
Ceylon Biscuits Limited	Subsidiary of the parent entity	Sales	16,362,577	0.21%	1,134,215	443,659
		Purchase of raw materials	2,789,828	0.03%	(2,067,146)	(583,968)
		Corporate services charges	4,613,102	0.06%	-	-
		SAP license recovery expenses	13,337,592	0.17%	-	-
		Reimbursement of expenses to the Company	57,462	0.00%	(57,462)	-
		Short Term Loan Interest	122,197,203	1.53%	(50,120,017)	-
		Short Term Loan	1,320,000,000		(450,000,000)	-
Plenty Foods (Private) Limited	Subsidiary of the parent entity	Sales	59,219,076	0.74%	27,172,551	14,131,436
		Purchase of raw materials	45,877,507	0.57%	(7,801,523)	(2,640,630)
		Reimbursement of expenses to the Company	2,460,398	0.03%	-	-
		Short Term Loan Interest	6,002,769	0.08%	(6,002,769)	-
		Short Term Loan	140,000,000		(140,000,000)	-
CBL Foods International (Private) Limited	Subsidiary of the parent entity	Sales	44,859,348	0.56%	799,136	4,127,411
		Purchase of raw materials	64,900,120	0.81%	(14,627,535)	(3,917,100)
		Services received	335,673	0.00%	-	-
Ritzbury Lanka (Private) Limited	Subsidiary of the parent entity	Stores rent expenses	5,630,400	0.07%	-	-
CBL Natural Foods (Private) Limited	Subsidiary of the parent entity	Sales	1,211,785	0.02%	1,211,785	-
		Purchase of raw materials	43,187,098	0.54%	(3,661,481)	-
		Consultancy fee	17,384,601	0.22%	-	-
		Reimbursement of expenses to the Company	24,863,620	0.31%	-	-

Name of the Company	Relationship	Nature of Transaction	Transaction Value Rs.	% Value of Revenue	Balance as at	
					2023 Rs.	2022 Rs.
CBL Corporate Services (Private) Limited	Subsidiary of the parent entity	Internal group services	27,040,762	0.34%	(4,100,199)	(3,486,554)
CBL Global Foods (Private) Limited	Subsidiary of the parent entity	Purchase of finished goods	162,710,353	2.04%	(43,621,399)	(19,918,726)
SPAR SL (Private) Limited	Joint venture of the parent entity	Sales	71,454,709	0.90%	13,845,006	7,635,198
CBL Exports (Private) Limited	Subsidiary of the parent entity	Raw material sales	235,144	0.00%	235,144	-

% represent the aggregate transaction value as a percentage of revenue.

33.4 Related Party Transactions - Non Recurrent

The Company has secured a short term loan of Rs.870 Mn, Rs.450 Mn & Rs.140 Mn as non-recurrent related party transactions during the year, which exceeds 10% of the equity or 5% of the total assets, whichever is lower, as per the Colombo Stock Exchange Section Listing Rule 9.3.2. this is disclosed.

34 Reclassification of Comparative Figures

Certain reclassifications have been made to the comparative figures to improve the comparability and fair presentation of these financial statements. As a result, following balances have been amended in the statement of profit or loss and other comprehensive income as shown below. These reclassifications have not resulted in changes to the profit for the year or total net assets previously reported as at 31st March 2023.

Company	As previously reported Rs.	Adjustment Rs.	Reclassified Amount Rs.
Statement of Profit or loss and Other Comprehensive Income			
Revenue	4,858,647,421	13,784,940	4,872,432,361
Cost of sales	3,696,355,746	222,879	3,696,132,867
Other Operating Income	23,201,620	(14,007,819)	9,193,801
<i>(With the sale of local materials business expansion during 2022/23, the Company decided to reclassify such income amounting Rs.13,784,940 derived as revenue arising from entity's ordinary business activities and gain from stock transfer amounting Rs. 222,876.)</i>			
Administrative Expenses	184,171,999	919,362	185,091,361
Selling and Distribution Expenses	541,365,129	(919,362)	540,445,767
<i>(The Company has reclassified the press notice expenses and overseas travel expenses from selling and distribution expenses to administrative expenses, which are deemed to serve administrative purposes rather than being directly associated with selling and distribution activities.)</i>			

Notes to the Financial Statements

35 Risk Management Framework, Objectives and Policies

Risk management of the Company is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of Convenience Foods (Lanka) PLC and its strategic and financial goals. The Company has established a sound risk management framework to identify and mitigate the risk exposure.

Financial instruments held by the Company, principally comprise of cash, trade receivables, trade payables and investments held under amortized cost category. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Company.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company risk management processes / guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Financial risk management of the Company is carried out based on guidelines established by the finance division which comes under the purview of the Board of Directors of the Company. The finance division identifies, evaluates and mitigates financial risk in close co-operation with the Company's finance department.

The Company has identified 3 critical types of risk which can affect the Company's operations adversely as Credit risk, Liquidity risk and Market risk.

35.1 Credit Risk

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

Trade receivables consist of local and overseas customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have a significant credit risk exposure to any single counterparty or any Company of counterparties. The Company has established policies and procedures to evaluate the clients before approving credit terms. Debtor balance as at 31st March 2023 comprises distributors, direct dealers and modern trade representing 53.89%, 6.40% and 39.71% respectively.

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure that the counterparties fulfill their obligations.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Based on the review of their past performance and credit worthiness the Company has obtained bank guarantees from its distributors.

The requirement for impairment is analyzed at each reporting date on an individual basis for all customers. In order to mitigate settlements and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable ratings for its deposits.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee. Outstanding customer receivables are regularly monitored.

a) The maximum exposure to credit risk at reporting date

	2023 Rs.	2022 Rs.
Cash at Bank	149,151,596	199,975,734
Short Term Investments	-	418,645,514
Trade Receivables	863,934,290	559,949,115
Amount due from Related Companies	44,397,837	26,337,704
	1,057,483,723	1,204,908,067

b) Trade receivables at the reporting date

	2023		2022	
	Gross balance		Impairment	
	Rs.	Rs.	Rs.	Rs.
Trade Receivables	873,682,906	(9,748,616)	559,949,115	(4,827,140)
0 days - 360 days	871,598,244	(7,663,954)	555,177,524	(55,549)
Over 360 days	2,084,662	(2,084,662)	4,771,591	(4,771,591)
	873,682,906	(9,748,616)	559,949,115	(4,827,140)

The Company grants credit approvals to its customers subjected to the internal credit limits which are regularly reviewed and controlled by the Management. The average credit period granted to such debtors are 30 days.

c) Movement in the loss allowances

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	4,827,140	4,123,024
Loss allowance during the year	4,921,476	704,116
Balance at the end of the year	9,748,616	4,827,140

d) Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs. 149Mn (2022: 200Mn), the following table shows the credit ratings of the main banks with whom the Company has invested.

Bank	Credit Ratings
Sampath Bank	A
Nations Trust Bank	A-
People's Bank	A
Commercial Bank	A
Hatton National Bank	A
State Bank of India	BBB-
DFCC Bank	A-
Bank of Ceylon	A
Standard Chartered Bank	AAA

Notes to the Financial Statements

35 Risk Management Framework, Objectives and Policies Contd.

35.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at 31st March 2023	Carrying Amount Rs.	0-12 Months Rs.
Financial Liabilities (Non- derivative)		
Trade and Other Payables	837,620,587	837,620,587
Amount due to Related Companies	132,059,531	132,059,531
Short Term Borrowing	1,040,000,000	1,040,000,000
	2,009,680,118	2,009,680,118

As at 31st March 2022	Carrying Amount Rs.	0-12 Months Rs.
Financial Liabilities (Non - derivative)		
Trade and Other Payables	783,769,818	783,769,818
Amount due to Related Companies	30,546,978	30,546,978
	814,316,796	814,316,796

Lease Liability	2023 Rs.	2022 Rs.
Less than one year	17,217,559	7,987,138
More than one year	115,038,544	112,526,574
	132,256,103	120,513,712

35.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

The Company uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the risk management committee.

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 sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.

This is based on the financial assets and financial liabilities held at 31 March 2023 and 2022.

a) Foreign currency risk

The foreign currency risk is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in foreign exchange rates. The Company is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR) on its pending letters of credit valued at Rs. 180,364,438 as at 31st March 2023 (2022 - Rs. 744,148,456).

As the Company does not have material foreign currency denominated financial assets and liabilities, there is no impact from foreign currency risk.

b) Interest rate risks

Interest rate risks mainly arises as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

The Company has obtained a Rs. 100 million overdraft facility from Hatton National Bank PLC,a Rs. 100 million overdraft facility from Standard Chartered Bank & Rs. 20 million from Commercial Bank of Ceylon PLC at an interest rate of AWPLR by negative pledge over project assets, stocks and debtors respectively, which has a direct impact on the interest expense due to the fluctuation of the interest rates.

Other than the above, the Company does not have any financial instruments on which the realizable/market value will have significant effect by the movements of interest rates as at 31st March 2023.

The reasonable change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or loss by the amount shown below.

As at 31 March	2023 Rs.	2022 Rs.
Impact to profit before tax		
100 basis point increase	(1,879,178)	-
100 basis point decrease	1,879,178	-

Capital Risk Management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Notes to the Financial Statements

36 Fair Value Measurement

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly - i.e. as prices or indirectly - i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument.

There may be an increase in the amount of subjectivity involved in fair value measurements, and as such, a greater use of unobservable inputs will be required because relevant observable inputs are no longer available.

36.1 Fair Values Versus the Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows;

As at 31st March 2023	Carrying Value Rs.	Fair Value Rs.
Financial Assets not measured at fair value		
Trade and Other Receivables	1,258,564,851	1,258,564,851
Amounts due from Related Companies	44,397,837	44,397,837
Cash and Cash Equivalents	149,301,596	149,301,596
	1,452,264,284	1,452,264,284
Financial Liabilities not measured at fair value		
Trade and Other Payables	837,620,587	837,620,587
Lease Liabilities	132,256,103	132,256,103
Amounts due to Related Companies	132,059,531	132,059,531
Short Term Borrowings	1,040,000,000	1,040,000,000
	2,141,936,221	2,141,936,221

As at 31st March 2022	Carrying Value Rs.	Fair Value Rs.
Financial Assets not measured at fair value		
Trade and Other Receivables	583,555,681	583,555,681
Amounts due from Related Companies	26,337,704	26,337,704
Short Term Investments	418,645,514	418,645,514
Cash and Cash Equivalents	200,125,734	200,125,734
	1,228,664,633	1,228,664,633
Financial Liabilities not measured at fair value		
Trade and Other Payables	783,769,818	783,769,818
Lease Liabilities	120,513,712	120,513,712
Amounts due to Related Companies	30,546,978	30,546,978
	934,830,508	934,830,508

36.2 Financial Assets and Liabilities by fair value hierarchy

The following table sets out the fair values of financial instruments not carried at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

As at 31st March 2023	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial Assets			
Trade and Other Receivables	-	-	1,258,564,851
Amounts due from Related Companies	-	-	44,397,837
Cash and Cash Equivalents	-	149,301,596	-
	-	149,301,596	1,302,962,688
Financial Liabilities			
Trade and Other Payables	-	-	837,620,587
Lease Liabilities	-	-	132,256,103
Amounts due to Related Companies	-	-	132,059,531
Short Term Borrowings			1,040,000,000
	-	-	2,141,936,221

As at 31st March 2022	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial Assets			
Trade and Other Receivables	-	-	583,555,681
Amounts due from Related Companies	-	-	26,337,704
Short Term Investments	-	-	418,645,514
Cash and Cash Equivalents	-	200,125,734	-
	-	200,125,734	1,028,538,899
Financial Liabilities			
Trade and Other Payables	-	-	783,769,818
Lease Liabilities	-	-	120,513,712
Amounts due to Related Companies	-	-	30,546,978
	-	-	934,830,508

Notes to the Financial Statements

36.3 Analysis of financial instruments by measurement basis

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

As at 31st March 2023	Carrying Amount				
	FVTPL	FVTOCI -Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at Amortized Cost	Other Financial Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets not measured at Fair Value					
Trade and Other Receivables	-	-	-	1,258,564,851	-
Amounts due from Related Companies	-	-	-	44,397,837	-
Cash and Cash Equivalents	-	-	-	149,301,596	-
	-	-	-	1,452,264,284	-
Financial Liabilities not measured at Fair Value					
Trade and Other Payables	-	-	-	-	837,620,587
Lease Liabilities	-	-	-	-	132,256,103
Amounts due to Related Companies					132,059,531
Short Term Borrowings	-	-	-	-	1,040,000,000
	-	-	-	-	2,141,936,221

As at 31st March 2022	Carrying Amount				
	FVTPL	FVTOCI -Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at Amortized Cost	Other Financial Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets not measured at Fair Value					
Trade and Other Receivables	-	-	-	583,555,681	-
Amounts due from Related Companies	-	-	-	26,337,704	-
Short Term Investments	-	-	-	418,645,514	-
Cash and Cash Equivalents	-	-	-	200,125,734	-
	-	-	-	1,228,664,633	-
Financial Liabilities not measured at Fair Value					
Trade and Other Payables	-	-	-	-	783,769,818
Lease Liabilities	-	-	-	-	120,513,712
Amounts due to Related Companies	-	-	-	-	30,546,978
	-	-	-	-	934,830,508

Decade at a Glance

As at 31st March Rs.	2023	2022	2021	2020	2019	2018 Restated	2017 Restated	2016 Restated	2015	2014
OPERATING RESULTS										
Revenue (Net)	8,041,401,062	4,872,432,361	3,207,282,244	2,430,828,555	1,996,718,507	1,915,822,410	1,546,475,941	1,655,253,143	1,742,502,671	1,343,789,021
Results from operating activities	920,366,540	459,956,167	575,972,199	251,901,184	111,777,023	208,690,560	107,296,940	134,186,578	220,252,852	118,065,401
Finance income	21,835,598	40,957,256	62,158,719	65,956,787	58,659,794	48,963,876	32,916,502	18,966,947	6,811,198	6,476,520
Finance expenses	(294,758,455)	(11,679,300)	(5,183,148)	(1,850,860)	(376,329)	(327,338)	(1,943,100)	(3,110,807)	(5,045,496)	(9,088,221)
Profit before tax	647,443,683	489,234,123	632,947,770	316,007,112	170,060,488	257,327,098	138,270,342	150,042,718	222,018,555	115,453,701
Income tax expenses	(126,938,121)	(103,644,723)	(117,042,986)	(86,567,859)	(51,456,080)	(86,944,533)	(51,155,944)	(54,307,886)	(57,096,337)	(29,483,821)
Profit for the year	520,505,562	385,589,400	515,904,784	229,439,253	118,604,408	170,382,565	87,114,398	95,734,832	164,922,218	85,969,880
CAPITAL EMPLOYED										
Stated capital	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178
Other reserves	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	-	24,375,516
Retained earnings	2,346,194,703	1,982,289,617	1,619,437,686	1,128,133,392	914,237,232	803,179,294	648,537,092	567,509,045	522,268,688	368,941,463
Total equity	2,440,329,826	2,076,424,740	1,713,572,809	1,222,268,515	1,008,372,355	897,314,417	742,672,216	661,644,168	574,789,865	445,838,156
ASSETS EMPLOYED										
Property, plant and equipment	619,605,790	616,391,944	494,613,301	254,853,934	218,824,003	253,135,171	270,843,939	291,042,879	274,349,842	269,892,510
Other non current assets	126,590,714	124,153,052	46,714,523	21,048,672	13,474,732	14,156,862	14,071,315	14,762,271	6,402,128	50,719,880
Current assets	4,112,423,553	2,417,873,267	1,984,093,130	1,460,037,530	1,132,514,527	981,225,269	683,010,492	633,502,296	622,889,404	388,177,152
Liabilities net of debt	(2,418,290,231)	(1,081,993,523)	(811,848,145)	(513,671,621)	(356,440,907)	(351,202,885)	(225,253,530)	(277,663,278)	(328,851,509)	(262,951,386)
	2,440,329,826	2,076,424,740	1,713,572,809	1,222,268,515	1,008,372,355	897,314,417	742,672,216	661,644,168	574,789,865	445,838,156
CASH FLOWS										
Net cash inflow/(outflow)										
From operating activities	(542,179,761)	(216,320,396)	514,503,549	117,859,721	39,560,737	170,433,471	68,511,746	122,143,831	214,636,033	75,918,340
From investing activities	354,371,905	379,784,639	(527,227,302)	(16,413,817)	(69,676,792)	(145,882,592)	9,592,592	(96,010,570)	(212,987,637)	(56,923,200)
From financing activities	(13,588,385)	(30,689,045)	(20,199,724)	(15,643,568)	(13,864,107)	(11,026,170)	(31,543,523)	(35,400,034)	12,363,518	(30,558,179)
Increase/(decrease) in cash and cash equivalents	(201,396,241)	132,775,198	(32,923,477)	85,802,336	(43,980,162)	13,524,709	46,560,815	(9,266,773)	14,011,914	(11,563,039)
KEY INDICATORS										
Revenue growth (%)	65.04	51.92	31.94	21.74	4.22	23.88	(6.57)	(5.01)	29.67	13.95
EPS (Rs.)	189.27	140.21	187.60	83.43	43.13	61.96	31.68	34.81	59.97	31.26
DPS (Rs.)	3.50	10.00	5.50	4.50	5.00	4.00	4.00	5.50	3.00	1.50
NAPS (Rs.)	887.39	755.06	623.12	444.46	366.68	326.30	270.06	240.60	209.01	162.12
MPS (Closed) (Rs.)	1,208.00	1,182.25	1,245.00	337.40	399.60	430.00	310.00	365.00	325.70	210.00
ROE (%)	21.33	18.57	30.11	18.77	11.76	18.99	11.73	14.47	28.69	19.28
ROCE (%)	27.07	24.12	34.67	24.43	15.79	26.56	17.43	21.14	35.50	24.04
PE (Times)	6.38	8.43	6.64	4.04	9.27	6.94	9.79	10.40	5.43	6.72
Interest cover (Times)	2.20	39.43	111.12	136.10	297.02	637.54	55.22	43.14	43.65	12.99
Dividend payout (%)	1.85	7.13	2.93	5.39	11.59	6.46	12.63	15.80	5.00	4.80
Current ratio (Times)	1.85	2.74	2.90	3.36	3.97	3.52	4.17	2.95	2.36	2.04

Shareholder and Investor Information

1. Share Distribution as at 31st March 2023

From	To	Number of Shareholders	Number of Shares	Holding %
1	1,000	1,524	122,001	4.44
1,001	10,000	35	122,544	4.45
10,001	100,000	5	70,612	2.57
100,001	1,000,000	2	471,866	17.16
Over 1,000,000		1	1,962,977	71.38
		1,567	2,750,000	100.00

Categories of Shareholders	Number of Shareholders	Number of Shares	Holding %
Local Individuals	1508	267,506	9.727
Local Institutions	51	2,472,756	89.918
Foreign Individuals	7	9,688	0.352
Foreign Institutions	1	50	0.002
	1,567	2,750,000	100.000

2. Share Trading Information

Description	As at 31.03.2023	As at 31.03.2022
Highest during the year	Rs. 1,485.00 (01-12-2022)	Rs. 1,990.00 (13-01-2022)
Lowest during the year	Rs. 888.00 (25-04-2022)	Rs. 999.75 (14-03-2022)
As at end of the year	Rs. 1,208.00	Rs. 1,182.25
Trade Volume	960	2,280
Share Volume	26,580	142,286
Turnover	Rs. 32,296,838.25	Rs. 165,495,467.25

3. Public Shareholding

The Percentage of shares held by the public as at 31st March 2023 - 28.619%

No of shareholder presenting the above percentage - 1,566

Float Adjusted Market Capitalization as at 31st March 2023 - Rs. 950,723,784.00

The Float Adjusted Market Capitalisation of the Company falls under Option 5 of Rule 7.14.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under said option.

4. Top Twenty-Five (25) Major Shareholders of The Company as at 31st March 2023

Name	31.03.2023 No of Shares	(%)	31.03.2022 No of Shares	(%)
1 CBL Investments Limited	1,962,977	71.381	1,962,977	71.381
2 Hatton National Bank PLC/Dawi Investment Trust (Pvt) Ltd	263,428	9.579	263,404	9.578
3 J.B Cocoshell (Pvt) Ltd	208,438	7.580	211,686	7.698
4 Mr. A M D E S Jayaratne	18,570	0.675	18,570	0.675
5 Mr. K C Vignarajah	14,730	0.536	14,720	0.535
6 Mr. S.R.S. De Saram & Mrs. S.T.T. Jayasundera	14,723	0.535	-	-
7 Cocosshell Activated Carbon Company (Pvt) Ltd	12,541	0.456	14,000	0.509
8 Mr U I Suriyabandara	10,048	0.365	9,498	0.345
9 Mr G W Amaratunga	8,677	0.316	8,677	0.316
10 Mr L H S Peiris	8,499	0.309	8,499	0.309
11 Mr E D K Weerasuriya & Mr A Weerasuriya	8,169	0.297	8,169	0.297
12 Dawi Investment Trust (Pvt) Ltd	7,357	0.268	2,669	0.097
13 Mr R J S Jayamaha	7,000	0.255	7,000	0.255
14 Mr Z G Carimjee	6,867	0.250	6,867	0.250
15 DFCC Bank PLC/Mr.P.Pranavan	6,357	0.231	5,250	0.191
16 Mrs. S Vignarajah	6,300	0.229	6,300	0.229
17 Mrs. M M Udeshi	6,000	0.218	6,000	0.218
18 Dr.S.Yaddehige	4,798	0.174	4,798	0.174
19 Mr N.K. Flemming	4,064	0.148	4,064	0.148
20 Mr U.C. Bandaranayake & Mrs. L. Bandaranayake	4,023	0.146	4,023	0.146
21 Mr A J Rumy	3,900	0.142	3,900	0.142
22 Mr S.K. Hathiramani (Deceased)	3,850	0.140	3,850	0.140
23 Mrs. Z.M. Adamally	3,433	0.125	3,433	0.125
24 Sampath Bank Plc/Mr. Abishek Sithampalam	3,000	0.109	3,000	0.109
25 Mrs. Y.K. Amarasinghe	2,409	0.088	2,409	0.088
Sub Total	2,600,158	94.551	2,583,763	93.955
Others	149,842	5.449	166,237	6.045
Issued Capital	2,750,000	100.000	2,750,000	100.000

Director's Shareholding

Name of Director	31.03.2023		31.03.2022	
	No of Shares	(%)	No of Shares	(%)
Mr. R. S. A. Wickramasingha	Nil		Nil	
Ms. D. S. Wickramasingha	Nil		Nil	
Mr. E. T. De Zoysa	Nil		Nil	
Mr. M. U. S. G. Thilakawardana	Nil		Nil	
Dr. D. M. A. Kulasoniya	Nil		Nil	
Mr. M. S. Nanayakkara	Nil		Nil	
Ms. N. K. Wickramasingha	Nil		Nil	
Mr. L. J. M. De Silva	Nil		Nil	

Glossary of Financial Terms

A	I	Q
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.	Interest Cover Profit before tax plus interest charges divided by interest charges.	Quick Asset Ratio The quick ratio is the value of a business's "quick" assets divided by its current liabilities.
Asset Turnover Ratio Net Sales divided by the Average Total Assets.	Investors Funds Total of stated capital, other reserves, retained earnings, and long-term liabilities.	
C	M	R
Capital Employed Total of stated capital, other reserves, retained earnings, and long-term interest-bearing liabilities.	Market Capitalization A number of shares in issue at the end of the financial year multiplied by the market value of a share as at that date.	Return on Capital Employed Earnings Before Interest & Tax divided by average Capital Employed.
Current Ratio Current assets are divided by current liabilities. A measure of liquidity.	Market Value (Price) per Share The price at which an ordinary share is traded in the market.	Return on Equity Profit after tax divided by shareholder's equity.
D	N	S
Dividend per Share Gross dividend is divided by the number of ordinary shares in issue at the year-end.	Net Assets per Share Total assets less total liabilities (net assets employed) divided by the number of shares.	Return on Assets Profit after tax divided by total assets.
Dividend Payout Ratio Ordinary dividend per share divided by earnings per share.		Return on Sales Operating Profit divided by the Net Sales
E	P	T
Earnings per Share Profit attributable to ordinary shareholders divided by the number of shares in issue.	Profit Before Tax Margin Profit before taxation divided by turnover.	Total Debt The total of long and short-term (current) interest-bearing borrowings.
F	Price Earnings Ratio	U
Float Adjusted Market Capitalization Public holding percentage multiplied by market capitalisation.	Price Earnings Ratio The market price of a share at the end of the financial year is divided by the earnings per share for the financial year.	Total Equity Total of stated capital, other components of equity and revenue reserves.
	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.	Working Capital Capital is required to finance day-to-day operations (Current assets minus current liabilities).

GRI Content Index Tool

Statement of use Convenience Foods (Lanka) PLC has reported in accordance with the GRI standards for the period 1st April 2022 to 31st March 2023

GRI 1 used GRI 1: Foundation 2021

GRI Standard	Disclosures	Page Reference
The organization and its reporting practices		
GRI 2: General Disclosures 2021	2-1 Organizational details	Page 5
	2-2 Entities included in the organization's sustainability reporting	Page 3
	2-3 Reporting period, frequency and contact point	Page 3, 4
	2-4 Restatements of information	Page 3
	2-5 External assurance	Page 4
Activities and workers		
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	Page 5, 62
	2-7 Employees	Pages 49-57
	2-8 Workers who are not employees	Pages 49-57
Governance		
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	Pages 74-79
	2-10 Nomination and selection of the highest governance body	Pages 74-79
	2-11 Chair of the highest governance body	Non Executive Chairman is the Chair of the highest governance body
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 82
	2-13 Delegation of responsibility for managing impacts	Pages 82-85
	2-14 Role of the highest governance body in sustainability reporting	Page 20
	2-15 Conflicts of interest	Page 78
	2-16 Communication of critical concerns	Page 83
	2-17 Collective knowledge of the highest governance body	Page 74
	2-18 Evaluation of the performance of the highest governance body	Page 77
	2-19 Remuneration policies	Page 105
	2-20 Process to determine remuneration	Page 105
Strategy, policies and practices		
GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	Page 20
	2-23 Policy commitments	Pages 49-57
	2-27 Compliance with laws and regulations	Pages 74-79
	2-28 Membership associations	Page 67
Stakeholder engagement		
GRI 2: General Disclosures 2021	2-29 Approach to stakeholder engagement	Page 28
	2-30 Collective bargaining agreements	Pages 49-57

GRI Content Index Tool

GRI Standard	Disclosures	Page Reference
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Page 30
	3-2 List of material topics	Page 31
Economic Performance		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Page 10, 43
	201-3 Defined benefit plan obligations and other retirement plans	Pages 117
Indirect Economic Impacts		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Page 68
Energy		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 70
Water		
GRI 303: Water 2018	303-1 Interactions with water as a shared resource	Page 70
	303-2 Management of water discharge related impacts	Page 71
	303-5 Water consumption	Page 70
Water		
GRI 305: Emissions 2016	305-1 Disclosure direct (Scope 1) GHG emissions	Page 70
	305-2 Energy indirect (Scope 2) GHG emissions	Page 70
Water		
GRI 306: Waste 2020	306-2 Management of significant waste related impacts	Page 71
Water		
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 51
Water		
	403-1 Occupational health and safety management system	Page 56
	403-5 Worker training on occupational health and safety	Page 56
	403-6 Promotion of worker health	Page 56
	403-9 Work-related injuries	Page 56
Water		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Pages 49-57
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 53

GRI Standard	Disclosures	Page Reference
Water		
GRI 405:Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Pages 49-57
Water		
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Page 52
Water		
GRI 409: Forced or Compulsory Labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Pages 49-57
Water		
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 68
Water		
Disclosure 414	414-1 New suppliers that were screened using social criteria	Page 64
Water		
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Page 66
Water		
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 64

Notes

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Second (32nd) Annual General Meeting of Convenience Foods (Lanka) PLC will be held by electronic means on Monday, 11th September 2023 at 3.30 p.m. centered at Ceylon Biscuits Limited, High-Level Road, Makumbura, Pannipitiya for the following purposes;

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2023 and the Report of the Auditors thereon.
2. To declare a first and final dividend of Rs. 4.70 per share for the year ended 31st March 2023.
3. To pass the ordinary resolution set out below to re-appoint Mr. R.S.A. Wickramasingha who is 76 years of age, as a Director of the Company;

"**IT IS HEREBY RESOLVED THAT** age limit of 70 years referred to in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R.S.A. Wickramasingha who is 76 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007."

4. To pass the ordinary resolution set out below to re-appoint Mr. L.J.M. De Silva who is 79 years of age, as a Director of the Company;
"IT IS HEREBY RESOLVED THAT the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. L.J.M. De Silva who is 79 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007."
5. To pass the Ordinary Resolution set out below for the appointment of Messrs EY, Chartered Accountants, as the Independent Auditors of the Company in place of the retiring Auditors Messrs KPMG, Chartered Accountants from the conclusion of this Annual General Meeting and authorizing the Board of Directors to determine their remuneration.
"IT IS HEREBY RESOLVED THAT Messrs EY, Chartered Accountants be appointed the Auditors of the Company, in place of the retiring auditors, to hold office from the conclusion of this Annual General Meeting and that their remuneration be fixed by the Directors."
6. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

By Order of the Board,

Convenience Foods (Lanka) PLC.



P W Corporate Secretarial (Pvt) Ltd.
Director/Secretaries

31st July 2023
Colombo

Notes:

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

Form of Proxy

I/We*..... NIC No.

of.....

being a shareholder/s* of CONVENIENCE FOODS (LANKA) PLC hereby appoint.....

of NIC No. or failing him*;

Mr. Ramya Sanath Amaraweera Wickramasingha

of Colombo or failing him*

Ms. Dharshini Sheamalee Wickramasingha

of Colombo or failing her*

Mr. Edenadure Thilanka De Zoysa

of Colombo or failing him*

Ms. Nishka Kanya Wickramasingha

of Colombo or failing her*

Mr. Muditha Udara Saliya Gamini Thilakawardana

of Colombo or failing him*

Dr. Dissanayake Mudiyanselage Ananda Kulasooriya

of Colombo or failing him*

Mr. Mahesh Shirantha Nanayakkara

of Colombo or failing him*

Mr. Lakshman Joseph Mervin De Silva

of Colombo*

as my/our* proxy to represent me/us* and to vote as indicated hereunder for me/us* and on my/our* behalf and /or* to speak at the Thirty Second (32nd) Annual General Meeting of the Company to be held by electronic means on 11th September 2023 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

For Against

1. Declare a first and final dividend of Rs. 4.70 per share for the year ended 31st March 2023.

2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. R. S. A. Wickramasingha as a Director of the Company.

3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr. L. J. M. De Silva as a Director of the Company.

4. To pass the ordinary resolution set out under item 5 of the Notice of Meeting to appoint Messrs EY, Chartered Accountants as Auditors of the Company in place of the retiring Auditors Messrs KPMG, Chartered Accountants and to authorize the Directors to determine their remuneration.

5. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

In witness my/our* hand this day of Two Thousand and Twenty Three.

.....
Signature of Shareholder/s

*Please delete what is inapplicable.

Note:

1. Instructions as to completion appear on the reverse.
2. A Proxy need not be a shareholder of the Company.

Form of Proxy

Instructions for Completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address, and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy please insert the relevant details in the space provided.
3. If the appointer is a Company / Incorporated body this form must be executed in accordance with the Articles of Association / Statute.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. Please indicate with an 'X' in the space provided how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
6. The completed Form of Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 (email soy.pwcs@gmail.com), by 3.30 p.m. on 09th September 2023. In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

Corporate Information

Name of Company

Convenience Foods (Lanka) PLC, formerly known as Soy Foods (Lanka) PLC.

Legal Form & Listing

A Public Limited Company. Listed on the Colombo Stock Exchange. Incorporated in Sri Lanka on 27th March 1991.

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

Principal Business Activity

Manufacture and Marketing of Textured Soy Protein (TSP) & Other Food Products.

Company Registration No.

PQ 164

Registered Office

No. 555, High Level Road,
Makumbura,
Pannipitiya, Sri Lanka.

Principal Place of Business

No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana.
Tel: +94 11 5003000
E-mail: inquiry.cf@cblkk.com
Web: www.cblkk.com

Directors of the Company

Mr. R. S. A. Wickramasingha - Chairman/ NED
Mr. E. T. De Zoysa - Managing Director/ED
Ms. D. S. Wickramasingha - NED
Ms. N. K. Wickramasingha - NED
Mr. L. J. M. De Silva - NED
Mr. M. U. S. G. Thilakawardana - IND/NED
Dr. D. M. A. Kulasooriya - IND/NED
Mr. M. S. Nanayakkara - IND/NED

Audit Committee

Mr. M. S. Nanayakkara - Chairman - IND/ NED
Dr. D. M. A. Kulasooriya - IND/NED
Mr. M. U. S. G. Thilakawardana - IND/NED

Remuneration Committee

Ms. N. K. Wickramasingha - Chairman - NED
Dr. D. M. A. Kulasooriya - IND/NED
Mr. M. U. S. G. Thilakawardana - IND/NED

Related Party Transaction Review Committee

Dr. D. M. A. Kulasooriya - Chairman - IND/ NED
Mr. M. S. Nanayakkara - IND/NED
Mr. M. U. S. G. Thilakawardana - IND/NED
Mr. E. T. De Zoysa - ED

Auditors

KPMG Sri Lanka,
Chartered Accountants,
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186,
Colombo 03, Sri Lanka.

Secretaries & Registrars

P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road,
Colombo 08, Sri Lanka.
Telephone: +94 11 464 0360
Fax: +94 11 474 0588
Email : pwcs@pwcs.lk

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
Standard Chartered Bank
State Bank of India
Sampath Bank
Nations Trust Bank
DFCC Bank

Investor Relations Officer

Mr. Randika Gamhewage
Manager - Financial Reporting
Convenience Foods (Lanka) PLC
Email: randikag.cf@cblkk.com

IND/NED - Independent Non-Executive Director

ED - Executive Director

NED - Non-Executive Director



Convenience Foods (Lanka) PLC

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