EXCEEDANCE

EXPECTATIONS SURPASSED

Convenience Foods (Lanka) PLC
Annual Report 2017/2018

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EXCEEDANCE

EXPECTATIONS SURPASSED

Our strength lies in our unwavering focus in understanding and fulfilling our consumers' wants and needs. In the past year, this focus has helped us stay on course in offering our customers a variety of delightful and innovative products. The high standards we have set for ourselves in terms of product quality, development and variety have helped us remain at the forefront of the local and international markets we have a foothold in. As a result, our trajectory of profitable growth has grown from strength to strength, surpassing our stakeholders' expectations. The year under review has, in essence, been one of exceedance, with our Holding Company celebrating 50 years of sustained excellence. With our eye firmly fixated on what matters, our progress is guaranteed and we foresee a future ripe with promise and exciting prospects. We are ready to take the leap in our evolution as Sri Lanka's pioneering producer of convenience food and create greater value for everyone who has been instrumental in the success of Convenience Foods (Lanka) PLC, to date.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Seventh (27th) Annual General Meeting of Convenience Foods (Lanka) PLC will be held on 19 September 2018 at 03.30 p.m. at Ceylon Biscuits Limited, Makumbura, Pannipitiya for the following purposes;

1. ORDINARY BUSINESS

1.1 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 31 March 2018 and the Report of the Auditors thereon.

1.2 To declare a first and final dividend of Rs. 5/- per share for the year ended 31 March 2018.

1.3 To pass the ordinary resolution set out below to re-appoint Mr. R S Wickramasingha who attained the age of 71 years on 18 November 2017 and who retires at the conclusion of the Annual General Meeting in terms of Section 210 of the Companies Act, as a Director of the Company;

"**IT IS HEREBY RESOLVED THAT** Mr. R S Wickramasingha who attained the age of 71 years on 18 November 2017 be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211(1) of the Companies Act, No. 07 of 2007 that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. R S Wickramasingha."

1.4 To re-appoint the retiring Auditors Messrs. SJMS Associates, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration.

1.5 To authorise the Directors to determine donations for the year ending 31 March 2019 and up to the date of the next Annual General Meeting.

2. SPECIAL BUSINESS

To pass the ordinary resolution set out below to appoint Mr. L J M De Silva who is 74 years of age, as a Director of the Company;

"**IT IS HEREBY RESOLVED THAT** the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. L J M De Silva who is 74 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act, No. 07 of 2007"

By Order of the Board
CONVENIENCE FOODS (LANKA) PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

20 August 2018
Colombo

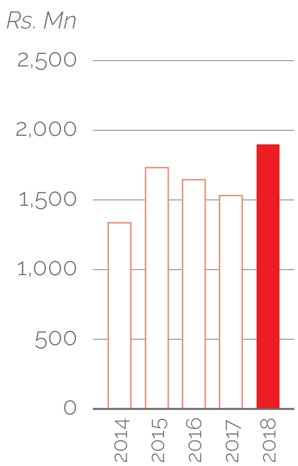
Notes:
1. A shareholder is entitled to appoint a Proxy to attend and vote at the Meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company at Ceylon Biscuits Ltd, Makumbura, Pannipitiya by 3.30 p.m. on 17 September 2018.

Financial Highlights

Group data	For the year ended 31.03.2018 Rs.	For the year ended 31.03.2017 Rs.	Change Favourable/ (Unfavourable) %
PROFITABILITY			
Turnover (Net)	1,915,822,410	1,546,475,941	23.88
Operating profit	200,267,440	95,296,456	110.15
Finance cost	(327,338)	(1,943,100)	83.15
Other income	57,038,049	44,916,987	26.99
Profit before taxation	256,978,151	138,270,344	85.85
Taxation	(86,944,533)	(51,155,944)	(69.96)
Profit after taxation	170,033,618	87,114,400	95.18
PER SHARE DATA			
Earnings per share	61.83	31.68	95.18
Net assets per share	326.30	270.06	20.82
Market price at year end	430.00	310.00	38.71
PROFITABILITY RATIOS			
Return on capital employed (ROCE)	28.68%	18.88%	51.88%
Profit before tax margin	13.41%	8.94%	50.02%

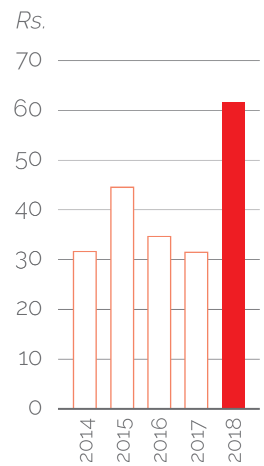
Turnover (Net)

Rs.1,916Mn



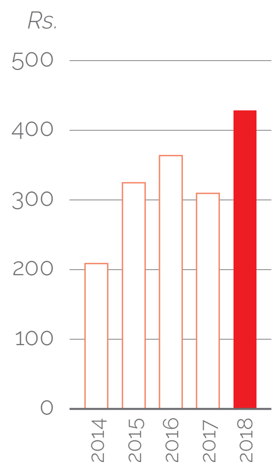
Earnings Per Share

Rs.61.83



Market Price Per Share

Rs.430



The Chairman's Message

Dear Stakeholders,

It gives me great pleasure to present the Annual Report and Audited Financial Statements of Convenience Foods (Lanka) PLC (CFL) for the financial year 2017/18. I am also delighted to announce that we are on the eve of the 50th anniversary of Ceylon Biscuits Limited Group (CBL Group), the major shareholder of the Company, where CFL has recorded its most noteworthy performance from its inception during the year under review. This performance demonstrates the continuance of the resilience displayed in challenging times.

As our shareholders are aware, CFL faced very challenging weather conditions during the previous financial year (2016/17), which was reflected in the financial performance of both the top-line and bottom-line. Therefore, it is extremely heartening to report a spectacular reversal within the short time span of 12 months, in which the Company has achieved its best performance financially in its history. This is doubly gratifying as CFL has also made a noteworthy contribution towards the success of the CBL Group since the year 2000 with financial strength and a market position which is stronger than ever.

On this high note, I wish to place on record that the Company achieved an extremely impressive bottom-line growth of 95%, to Rs. 170 Mn during the financial year under review. With this performance, almost all key financial indicators have also recovered and shown very encouraging improvements. Retained earnings have grown by 24% to Rs. 804 Mn, increasing by Rs. 155 Mn. The ROE has also moved up from 12% to 19%, while the ROCE has improved from 19% to 29% and the ROA growing from 9% to 14%. Due to the foregoing the Company's share price has also moved upwards, from Rs. 310 as at end March 2017 to Rs. 430 by end March 2018. The earnings per share has increased from Rs. 31.68 to Rs. 61.83 and the net assets per share has grown by 21% to Rs. 326.30. I would also like to add that the Company is now totally debt free, as we have settled all outstanding debts secured for expansion purposes during the previous years. Our financial position also includes short term investments of over Rs. 476 Mn in investments. I request our shareholders read the Managing Director's Review for more information about our performance during the year.

Compliance and Good Governance

The CFL has always been highly compliant in all areas of our business activities and during the current financial year too, the Group maintained its high level of compliance and didn't have any non-compliance worthily of reporting to the shareholders.

The Board of Directors and Board Sub Committees met five times to review operational aspects against set objectives and goals. While there were no significant changes to Board and Board Sub Committees apart from the following. On my relinquishing the position as the Chairman of the Remuneration Committee, the position was replaced by Ms. N K Wickramasingha. In addition, Mr. N A Wickramage Non-Executive, Non-Independent Director resigned from the Board on 01 April 2018. I would like to take this opportunity to extend my appreciations to Mr. Wickramage for his contributions during his tenure of service.

"The Company achieved an extremely impressive bottom-line ***growth of 95%, to Rs. 170 Mn*** *during the financial year."*

The Board is fully cognisant of its responsibilities to ensure proper management of the Company. Therefore, the Board and its Sub Committees, regularly reviewed internal control procedures and risk management processes to strengthen such areas. The risk profile of the Company is reviewed quarterly while risks are continually monitored to initiate corrective action, if and when required. A key development in this regard, is the recruitment of 'General Manager Group Internal Audit' by CBL Group to strengthen the internal risk management and oversight.

The Internal Audit function, which is outsourced to Messrs. Ernst & Young, continued throughout the year to monitor financial compliance.

We have also continued to upgrade and improve our ERP system to facilitate better quality and more timely information for decision making at Management levels and the Board.

To improve the administration of the human resource function, a comprehensive Human Resource (HR) Procedural Manual was introduced encompassing industry best practices, while the new HR Management Systems will be operationalised during the new financial year. A comprehensive Manual of Financial Procedures, is being introduced and awaiting Board approval.

Significant Developments During the Year

As part of the overall restructuring of the CBL Group, Ceylon Biscuits Limited, which was the major shareholder and the Parent Company of CFL, became a subsidiary of the newly created Holding Company, CBL Investments Limited. Thus in September 2017, CBL Investments Limited purchased 71.38% of the issued share capital of CFL from Ceylon Biscuits Ltd, thereby transferring majority ownership of CFL, to CBL Investments Limited.

The objective behind this shareholding restructure is to rationalise the groups structure to be more effective where Ceylon Biscuits Ltd, was both an operating and the Holding Company. Thus having considered the existing group structure, the Board of Directors are of the view that CBL Investments Ltd, in its true sense will be the Holding Company of all the Group's investments which will have a clear clarity in its purpose and the ability for more wealth creation.

We had to restate the Group Consolidated Financial Statements in line with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors due to a misinterpretation of requirements of accounting standard regarding our employee share trust. We have already made a disclosure to the Colombo Stock Exchange in May 2018. This change is presented in Note 33 to the Financial Statements of the current year on page 63 of this Annual Report.

Future Plans

CFL acts as a specialist in executing new food concepts to cater to the modern and rapidly changing lifestyles in Sri Lanka. Our vision for CFL is to further extend our contribution to the country and its people by developing more convenient and healthy food solutions, using the latest technologies in the food industry. Our last venture into developing, manufacturing and marketing a range of Kottu products was modeled on the repository of internal information and knowledge of the market pace. Therefore, the Board feels it is timely for CFL to once more venture into a business area with the market potential at heart.

On a strategic perspective, we believe further diversification of our product portfolio will enable rebalance the Company's risk profile by reducing the downward risk of the dependence on a single product category. Until 2006, CFL was 100% dependent on Textured Vegetable Protein (TVP) products, which exposed the Company to certain business risks. However, during the financial year 2017/18, the dependence on TVP products have been diluted, with dependence limited to 79% of revenue and with increased revenue by diversifying into a number of other product lines. A key objective is to rebalance revenue by end of next financial year by further reducing the dependence on TVP product from the total income.

We also celebrated the 50th anniversary of CBL Group in 2018, particularly by recognising those employees with long service periods in the Group, including those employed at CFL.

Looking forward to an exciting year, I wish to thank the members of the staff, Management and Board of Directors for their invaluable contribution during the year, which is reflected in the performance during the year under review. I wish the CBL Group a happy and prosperous golden anniversary year and I look forward to greater achievements at CFL during the present financial year.

Sincerely,

R S Wickramasingha
Chairman

20 August 2018

Managing Director's Message

As already noted by the Chairman, Convenience Foods (Lanka) PLC enjoyed a spectacular revival in 2017/18 despite extremely price competitive market conditions. This is indeed encouraging as it justifies our difficult decision in the previous financial year to go against conventional wisdom and increase our retail prices for Textured Vegetable Protein (TVP) products above the psychological price barrier. However, given our investments into the quality and health aspects of our soy products and also in consideration of the financial sustainability of the Company, the Management team decided to bite the bullet. Against the odds, by the end of the year, we not only increased our revenues but also increased our market share, demonstrating our resilience in the face of adversity.

"Market presence is crucial to drive sales and in 2017/18 we re-evaluated and restructured our distribution strategy to give us a stronger foothold in the market. Competitor infiltration of markets was countered as much as possible by redrawing our distribution maps on a different strategy scale to allow us to capture a larger share of the delivery channels. This was coupled with an aggressive push strategy to put more Lanka Soy products onto more retail shelves across the island."

Environment and Strategic Analysis

Soy based products accounts for 79% of our income and our major market is rural communities, that are highly price sensitive. In addition, the local market is swarming with competitor soy products with nearly 170 different brands and generic alternatives. The economic situation in 2017 was also far below expectation with national economic growth decelerating even further to 3.1% from 4.5% in 2016 and cost of living continuing to rise on the back of natural disasters, rupee depreciation and fiscal and monetary policy changes that also contributed to inflation. The cumulative impact was lower disposable incomes and lower consumer spending even on essential food items as consumers, particularly the low to mid end households tightened their belts.

This was definitely not a conducive environment to compete at a higher price point. Following the price increase in 2016/17 from Rs. 25 per 50g budget pack to Rs. 30, Lanka Soy products had to compete against every other competitor brand and generic soy product, which was at least Rs. 5 below our retail price. However, competitor brands were compelled to increase prices to be viable and yet again brand loyal consumers switched back to the household brand of Lanka Soy. Further, our strategy of introducing a price point at Rs. 50, which Lanka Soy did not have earlier, paid dividends in the form of increasing our turnover and market share in the Soy category.

We evaluated our supply chain and negotiated aggressively with our suppliers for concessions and lower prices for soy flour which is the primary raw material for TVP. In this case, market forces worked in our favour, due to an oversupply of soy flour. As a result, we were able to achieve larger than expected cost savings on our key raw material which accounts for about 82% of total raw material costs.

Market presence is crucial to drive sales and in 2017/18 we re-evaluated and restructured our distribution strategy to give us a stronger foothold in the market. Competitor infiltration of markets was countered as much as possible by redrawing our distribution maps on a different strategy scale to allow us to capture a larger share of the delivery channels. This was coupled with an aggressive push strategy to put more Lanka Soy products onto more retail shelves across the island.

Turnover	Profit Before Taxation
Rs. 1,916 Mn	Rs. 257 Mn
↑24%	↑86%

In parallel with supply and distribution channel strategies, we also amped-up awareness activities by directly targeting consumers. We believe it is essential to educate consumers about the quality differences between Lanka Soy and other lower cost TVP products in the market, as this is a matter of health and well-being that affects families across the country. The awareness campaign was driven by a promotional truck which costs us Rs. 15 Mn. We upgraded and refitted the vehicle and used it intensely for below the line promotions across the island. This move not only educated consumers about health and safety advantages of Lanka Soy but also contributed significantly towards enhancing brand visibility in the crowded TVP market and helped to differentiate Lanka Soy on a clear health platform.

The product portfolios for all our products were rationalised and new products and sizes were introduced catering to specific consumer segments.

Our quality standards were maintained for the ISO 9001 Quality Management System, the ISO 14001 Environmental Management System and SLS 898 standard for Textured Soy Protein. Furthermore, a scope expansion was done for ISO 22000, GMP and HACCP to ensure safe and healthy working conditions for workers by enforcing workplace laws and standards and also by providing training, outreach, education and assistance. In addition, I am happy to report that our Company obtained the certification of OHSAS 18001 for the Occupational Health and Safety Management System. We are always geared to implement processes and systems which will enhance productivity and safety of the employees. I believe our international standard quality platform contributes to differentiate our products from the competition by ensuring safe and healthy food for the public.

In addition, we invested considerably on training for our staff and our total permanent workforce grew from 230 personnel to 247, with the intention of further capturing new markets. We also invested in excess of Rs. 3 Mn to equip our sales force with the latest digital tools including tablet computers, printers and palm tops. This increased automation of the front-line has generated significant efficiencies and market gains, which will continue to increase in the new financial year.

"A scope expansion was done for ISO 22000, GMP and HACCP to ensure safe and healthy working conditions for workers by enforcing workplace laws and standards and also by providing training, outreach, education and assistance...

Our Company obtained the certification of OHSAS 18001 for the Occupational Health and Safety Management System."

Managing Director's Message Contd.

Business and Financial Performance

We closed the year with total revenue increasing by 24% against the previous financial year, reaching Rs. 1.9 Bn, which is the highest revenue recorded to date. Despite overall cost increases due to volume increase and inflationary factors, our cost of sales was contained to Rs. 1.2 Bn, compared to Rs. 1 Bn in the previous year by negotiating favourable flour prices and imposing strict controls over factory work flows to reduce fuel consumption and packaging material wastage.

This strong focus on containing production costs helped significantly towards boosting our operating profit, which increased by 110% to Rs. 200 Mn and resulted in a 95% increase in profit after tax which reached Rs. 170 Mn.

Performance by Product Line

Performance of Lanka Soy

Although we lost market share last year as a result of our price increase, we have made a comeback this year with increased soy volumes from 4,118 MTs in 2016/17 to 4,843 MTs in 2017/18. This helped us to increase our share in the branded TVP segment by capturing competitor market share, for Lanka Soy to remain the market leader in the branded soy segment.

As part of our market development strategy in 2017/18, we introduced 2 new flavours targeting two consumer segments. The Lanka Soy market segments now include a 50g pack in the Polos flavour, catering to the low-range market and to further capture the mid-range market and a 50g pack under the Malu Soy range in the Kiri Malu flavour.

The new Polos flavoured low range pack and Kiri Malu flavoured mid-range pack, have both done extremely well within a short period and we expect continued sales growth in the new financial year. Based on demand trends, we also withdrew two flavours under the Chickosoy brand - Tandoori Chicken and Masala Chicken - in order to rationalise our product portfolio. The Lanka Soy range now comprises 30 flavours under different sub brands.

Total turnover under Lanka Soy increased by 21% year on year, which was accommodated through higher capacity utilisation and efficiency increment at the factory. Nevertheless, we successfully managed to curb the revenue dependency on soy products to 79% from 82% in the last financial year.

Performance of Extruded Snacks

We invested Rs. 4.2 Mn on a new nitrogen generator, which has now increased the automation of the extruded snack process and facilitates better production by preserving food without affecting its flavour or texture. It is perfectly safe and will not harm consumers.

In the previous financial year, we expanded the extruded snack range by introducing the Tetos line under the umbrella Ramba brand. In the current financial year, as an addition, we upgraded the pack size to 60g under Tetos.

"We closed the year with total revenue increasing by 24% against the previous financial year, reaching Rs 1.9 Bn, which is the highest revenue recorded to date. Despite overall cost increases due to volume increase and inflationary factors, our cost of sales was contained to Rs 1.2 Bn, compared to Rs 1 Bn in the previous year by negotiating favourable flour prices and imposing strict controls over factory work flows to reduce fuel consumption and packaging material wastage."

Competing in the snack category is relatively challenging due to many low priced brands in the market. This is primarily due to growing competition in this segment and the fact that true potential of Tetos, which was introduced in the last financial year, compared to other snack products, has not yet been established in the market to justify the higher price of Rs. 40. To address this issue, we have aired an advertisement and conducted marketing campaigns.

As Tetos is still a new entrant in the market we shall monitor impacts of ongoing advertising campaigns in the new financial year. We will also rationalise the Ramba range which has 5 flavours. The extruded snacks accounted for about 9% of income in the current financial year.

Performance of Cereals

The entire Nutriline range has performed well and continued to consolidate market presence as we have maintained lower prices than imported cereal brands. The portfolio recorded a growth of 39% in turnover, supported by new product launches and larger pack sizes. We introduced 2 new products, the Honey Bee range in 2 sizes - 20g and 150g - and another new Multi Grains line in 150g. We hope to introduce more new products and variants in the new financial year as this is earmarked as a key growth segment for the future in light of changing consumer lifestyles.

Performance of Soups

The range of instant soups performed reasonably well with a 12% growth in revenues and production also, increasing.

Performance of the New Instant Kottu

This is our latest product line and was introduced in October 2017. Made of wheat flour, the product comes in 3 flavours - chicken, hot and spicy and vegetable- and is designed in 2 sizes - 65g at Rs. 50 and a 375g family pack at Rs. 280.

We believe this line has good growth potential as it addresses the convenience aspect coupled with hygiene concerns. The product can be prepared within 5-6 minutes and can accommodate meat, vegetables and other additions, and is extremely hygienic compared to street food. We hope to expand this range further in the new financial year.

Plans for the New Financial Year

Our key priority in the new financial year is to enhance our market share further in the soy category besides increasing revenue in other categories to reduce dependency on soy. With cut throat competition we face from competitor soy brands, we expect to achieve above mentioned top-line goal by diversifying our product range into other food categories such as "Kottu" and the cereal range. Furthermore, we face a number of obstacles in achieving our budgeted profit as international soy flour prices are foreseen to increase over the short term and continued rupee depreciation will compound raw material costs. The latest fuel price increase in 2018, will also once again, increase overall cost structures in the country. Nevertheless, in the new financial year, we will continue to consolidate our footprint in the delivery and retail channels to ensure product availability throughout the island and to increase revenue flows from regional markets.

Acknowledgements

I would like to thank the Chairman and the Board for their confidence in me and for their guidance and advice during the year. I also thank my Management team and all my staff for their contributions to overcome a particularly challenging year. As the Ceylon Biscuits Limited Group enters the landmark year of its 50th anniversary, I take this opportunity to once more express my appreciations towards our staff who took part in contributing towards this victory of the Group and I look forward to celebrating our achievements together. Our customers are our strength and I am confident we can increase our customer value proposition in the new financial year. Last but not least, I would like to extend my gratitude to the valued shareholders for their continuous support towards the Company.

Sincerely,

E T De Zoysa
Managing Director

20 August 2018

Corporate Governance

Convenience Foods (Lanka) PLC (CFL), is a subsidiary of CBL Investments Limited. CFL aspires to observe the highest standards of corporate governance across the organisation, in order to fulfil our responsibilities towards our stakeholders, namely, shareholders, employees, consumers, suppliers and the community through meeting our business objectives through integrity and professionalism.

We have adopted our business practices within the framework stipulated by the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Section 7 of the Listing Rules of the Colombo Stock Exchange (the rules and compliance of the same has been detailed in Appendix 1) and the Companies Act, No. 07 of 2007 (the rules and compliance of the same has been detailed in Appendix 2). The disclosures demonstrate the extent to which the principles of good corporate governance are adhered to by the Company.

The Board of Directors, to the best of their knowledge, are satisfied that all statutory payments to the Government and other regulatory bodies, including those related to the employees, have been made on a timely manner.

The governance philosophy and operating procedures at CFL is derived from the values developed internally by the Company since its inception in addition to the values inherited from CFL's Parent Company, CBL Investments Limited. The Company's values are centred on the fundamental principles of cultivation of honest, ethical and empowering relationships between stakeholders in general are at the very foundation of any successful business enterprise. As such, the Board of Directors are committed to meeting the business goals with the high standards of transparency and professionalism.

The Directors acknowledge and accept responsibility in ensuring that the affairs of the Company are managed in a manner that achieves full compliance with the internal governance framework and the regulatory requirements and in remaining fully committed to the principles of good governance. CFL is committed to being transparent and fair in all dealings. The Directors and Management of the Company consistently strive to inculcate values of good governance and associated best practices across every level of the organisational hierarchy and such processes are formalised through the development and constant refinement of processes and procedures designed to ensure the highest standards of compliance throughout the organisation. For a diagram of the organisational chart refer pages 12 and 13 (Only employees from Executive cadre and above have been presented).

Board of Directors

Duties and Responsibilities

The business of CFL is managed under the oversight of the Company's Board of Directors, along with the Chairman. The Board is responsible and accountable for the management of the affairs of the Company, conduct of business and maintenance of prudent risk management and soundness of the organisation.

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 organisation are in full compliance with the established corporate governance framework of the Company in addition to the stipulations of pertinent regulatory and statutory requirements. Among the primary responsibilities attributed to the Board of Directors is the duty to ensure an effective and equitable balance between ensuring the continued prosperity of CFL and providing value to shareholders. In addition to comprehensive oversight into issues related to business, finance, and shareholder relations, the Board also monitors and manages challenges and issues relating to corporate governance, corporate ethics and corporate social responsibility.

Furthermore, the Board is also responsible for defining and guiding the overall strategic direction of the Company, risk management, appointment of the CEO/ Managing Director, evaluation and approval of capital expenditure and new investments, succession planning, approval of budgets, and establishing policies that ensure effective internal controls, standards, and employee satisfaction. We are pleased to report that the Board and the overall Company's steadfast commitment to values of good corporate governance continue to encourage accountability and transparency within the organisation and yield strongly positive results as evidenced by sound decision and policy making that has worked to support the business and ensure its continued success.

Composition of the Board of Directors

The Board of CFL consisted eight (08) directors during the financial year of 2017/18, with one (01) Executive Director, four (04) Non-Executive Directors and three (03) Non-Executive Independent Directors which fulfils the mandate of the Listing Rules of the Colombo Stock Exchange which requires a minimum of two (02) or one third of the Board to be Independent Directors. All of the Directors serving on the Board were selected on the basis of their wide range of skills and experience that have assisted in the effective management of the affairs of the Company. A detail profile of each member of the Board is provided from pages 21 to 23 of this Annual Report.

Each Non-Executive Director has submitted a declaration of his/ her independence or non-independence as required under the Listing Rules of the Colombo Stock Exchange.

Mr. M S Nanayakkara qualifies against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on the declaration submitted by the said Director, has determined that he is an Independent Director.

The period of service of Mr. M U S G Thilakawardana and Dr. D M A Kulasooriya exceeds nine 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.

Group Director Mr. Nandana Wickramage resigned from the Board on 01 April 2018 after rendering an excellent service to the Company since being appointed to the CFL Board.

The Directors were required to report any substantial changes in their professional responsibilities and business associations to the entire Board. It is also confirmed that the Board of Directors have dedicated adequate time for the fulfilment of their duties as Directors of the Company.

Board Meetings

In accordance with the Company principles and practices the Board of Directors met five (05) times during the year in review. The attendance of the Board of Directors to the Board meetings are displayed below.

Members	20-Jun 2017	11-Aug 2017	22-Sep 2017	09-Nov 2017	07-Feb 2018
Mr. R S Wickramasingha	×	×	✓	×	✓
Mr. E T De Zoysa	✓	✓	✓	✓	✓
Ms. D S Wickramasingha	✓	✓	×	×	×
Mr. N A Wickramage	×	✓	×	✓	✓
Ms. N K Wickramasingha	✓	✓	✓	✓	✓
Dr. D M A Kulasooriya	✓	✓	✓	✓	✓
Mr. M U S G Thilakawardana	✓	✓	✓	✓	✓
Mr. M S Nanayakkara	✓	✓	✓	✓	✓

In addition to attending Board meetings the relevant Directors also attended subcommittee meetings such as Audit Committee meetings, Remuneration Committee meetings and Related Party Transactions Review Committee meetings.

The above described meetings of the Board of Directors occurred on a quarterly basis while provisions remain in place to call further meetings of the Board as they become necessary in relation to the effective discharge of their duties.

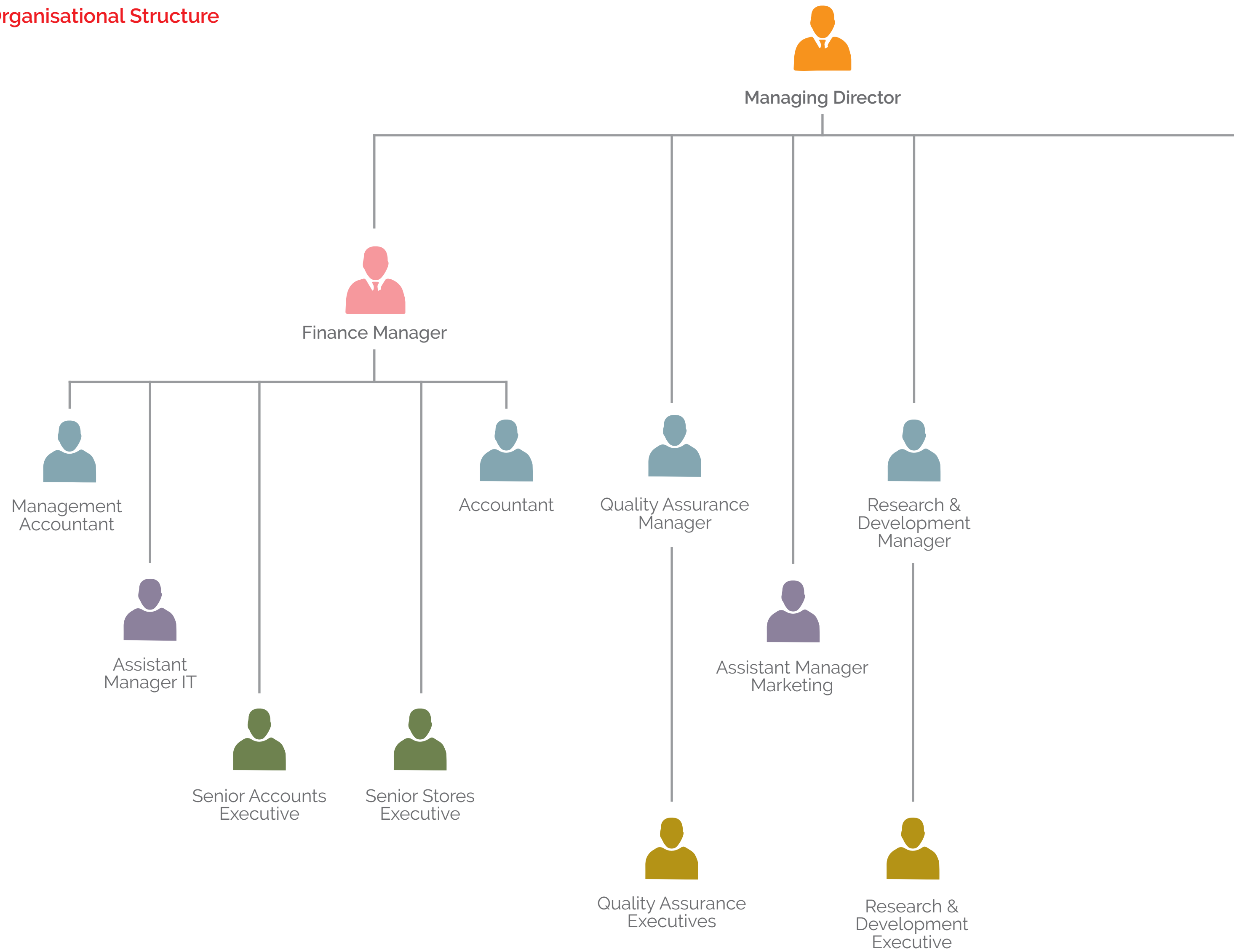
Balance of Authority and Management Structure

It is the policy of the Board to ensure that the role of Chief Executive, which is vested in the Executive Director, is kept separate from the Chairman of the Company, thereby facilitating the effective discharge of duties by the Board of Directors.

The operational management function is guided by a team of Senior Managers within the ethical framework as established by the Board. Monthly management review meetings are also held, the agenda of which is to review the operation of the Senior Management team under the supervision

Corporate Governance Contd.

Organisational Structure

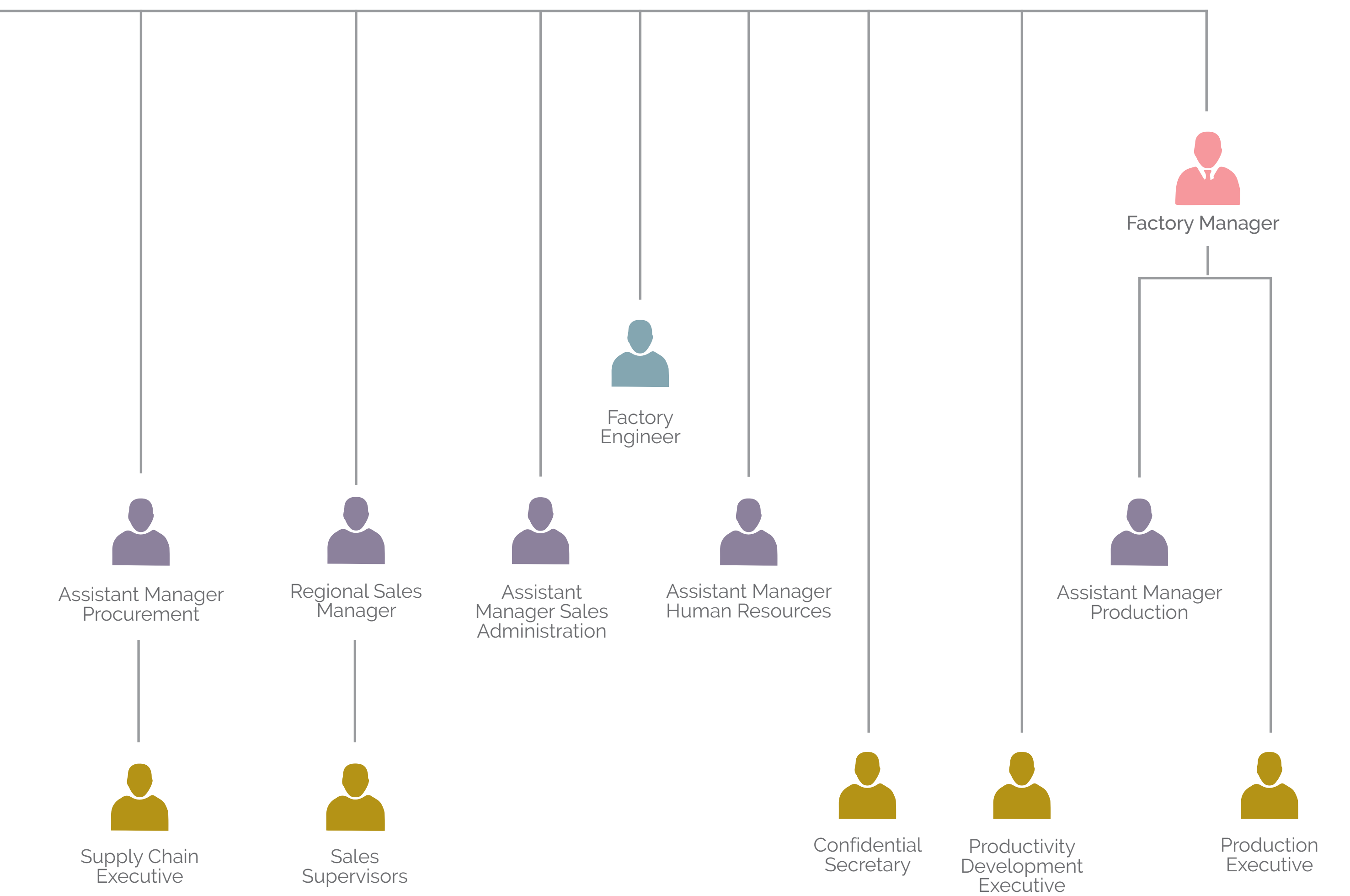


and guidance of the Board. At these meetings, the Board reviews strategic direction, risk management and other issues. The Senior Management team also reports to the Board on the trends in Key Performance Indicators which are discussed at weekly/ monthly internal meetings and management review held with departmental heads.

Board Sub Committees

The Board has delegated some of its functions to its Sub Committees which are responsible to monitor, review and enhance the accountability in certain areas. However, the Board retains the right to make a final decision in respect of some of the selected matters coming under the purview of the Sub Committees. The composition and the functions of these Sub Committees are discussed in detail under the relevant sections of this Report.

A Remuneration Committee, Audit Committee and a Related Party Transactions Review Committee function as Sub Committees of the Board.



Remuneration Committee

CFL appoints its own Remuneration Committee comprising of the Directors given below. The Committee meets and makes recommendations to the Board on the remuneration payable to the Key Management Personnel. The remuneration is assessed based on the performance of the organisation during the preceding year.

The Committee is mindful of the fact that the remuneration of the key management should reflect market expectations and should be sufficient to attract and retain the quality of management needed to run the Company. The Committee also takes into consideration issues related to annual increments of confirmed employees as they relate to the performance and discipline while also taking into account the profitability of the Company. Bonuses are similarly granted to employees in line with industry norms and in relation to the profitability of the Company as determined by the Committee.

Corporate Governance Contd.

Following are the members of the Remuneration Committee during the year under review:

- Ms. N K Wickramasingha - (Non-Executive Director/ Chairman of the Committee from 22 September 2017)
- Mr. R S Wickramasingha - (Non-Executive Director/ Chairman of the Committee up to 22 September 2017)
- Dr. D M A Kulasooriya - (Independent/ Non-Executive Director)
- Mr. M U S G Thilakawardana - (Independent/ Non-Executive Director)

Ms. N K Wickramasingha was appointed as the Chairman of the Committee on 22 September 2017 in place of Mr. R S Wickramasingha, who stepped down as the Chairman and as a member of the said Committee on 22 September 2017. Further, Mr. M S Nanayakkara was appointed to the Remuneration Committee on 25 May 2018.

Audit Committee

The Board has established an Audit Committee to ensure a formal and transparent application of accounting policies, financial control and internal control principles, while maintaining an appropriate relationship with the Company's auditors.

The Chairman of the Committee is a member of a recognised Accounting Body. The Audit Committee consists of all Independent Non-Executive Directors. The Managing Director, Finance Manager, Senior Management and other staff attend its meetings on invitation to provide information, advice and support as requested by the Committee.

This practice has been adopted to ensure that the Audit Committee is proficiently guided and advised to enable sufficient recommendations to be made to the Board to improve the organisation's internal control and risk management procedures, assess the independence and performance of the External Auditors, adopt any recommendations made in the Management Letter issued by the External Auditors and to ensure that reliable and transparent financial information is disclosed in keeping up with the Sri Lanka Accounting Standards (SLFRS/ LKAS), the Companies Act and other regulations.

The Audit Committee comprises of the Directors named below.

- Mr. M S Nanayakkara - (Independent/ Non-Executive Director/ Chairman of the Committee)
- Dr. D M A Kulasooriya - (Independent/ Non-Executive Director)
- Mr. M U S G Thilakawardana - (Independent/ Non-Executive Director)

Related Party Transactions Review Committee

The Board has established the Related Party Transactions Review Committee, to review all related party transactions and advice the Board on their compliance with the requirements of the Colombo Stock Exchange, the Securities Exchange Commission and other rules, procedures and best practices. The Committee ensures that all related party transactions are carried out in the best interests of the Company.

The composition of the Committee is as follows:

- Dr. D M A Kulasooriya - (Independent/ Non-Executive Director/ Chairman of the Committee)
- Mr. M S Nanayakkara - (Independent/ Non-Executive Director)
- Mr. M U S G Thilakawardana - (Independent/ Non-Executive Director)
- Mr. E T De Zoysa - (Executive Director)

The Finance Manager, Senior Management and other staff attend the meetings of the Committee on request in order to provide the Committee with information and advice to enable it to carry out its functions.

Independent Advice

Provisions are in place to enable Directors to seek professional advice at the Company's expense when it is requested by the Board Members. All Board members have access to the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd. to obtain advice on applicable rules, regulations and compliance requirements. Advice on taxation has been obtained over the year under review from Messrs. Ernst & Young, Chartered Accountants, while opinions were sought from the Employers Federation to ensure the organisation maintained healthy employee relations.

Financial Acumen

Adequate financial guidance is provided to the Board by Mr. M.S. Nanayakkara and the Finance Manager, both of whom are members of professional accounting bodies and possess sufficient knowledge and competence to guide the Board.

Supply of Information

The Board's decision making capabilities are further strengthened by supplying comprehensive information through budgets, monthly Financial Statements, market reports and other reports as required, in accordance with the agenda.

The Chairman ensures that all Directors are adequately briefed on matters to be decided at the meeting and ensures the Directors are fully conversant and up to date with all developments taking place in the Company.

Arising out of these briefings, advice and guidance is provided to the Company's Board on a regular basis in order to evaluate progress in relation to performance targets and ensure accountability of the Senior Management team. This is an ongoing process and is reviewed periodically by the entire Board. Training and career development also continues to be an issue of strong emphasis among the Board and at all levels of the organisational hierarchy. This has created a committed and empowered workforce and continues to generate value for the Company by driving continuous improvements in terms of productivity, innovation and performance excellence.

Relations with Shareholders and Financial Reporting

Active participation of the shareholders is encouraged at the Annual General Meeting, of which notice is given in the Annual Report. The Notice contains the agenda for the Annual General Meeting and the prescribed period of notice set out in terms of the Articles of Association of the Company have been met. Individual shareholders are encouraged to participate at the Annual General Meeting and to carry out adequate analysis or seek independent advice on their investing decisions.

Through the Managing Director's Review and the financial and non-financial information set out in the Annual Report and the interim accounts which are submitted to them (and to the Colombo Stock Exchange) at quarterly intervals, the shareholders are able to obtain a clear indication of the Company's performance over the year. The Board is committed to ensure complete transparency in disclosing its financial and non-financial information.

Major Transactions

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

Internal Controls

The Board is responsible for establishing a sound framework of internal financial controls and monitoring its effectiveness on a continuous basis. By establishing such a strong framework, CFL is able to manage business risks and ensure that the financial information on which business decisions are made and published are reliable.

Policies in the areas of stocks, debtors, purchases, budgeting, and financial investments, among other areas are continuously monitored by Messrs. Ernst & Young.

Results from regular Internal Audits and system reviews are discussed with the Managing Director and Finance Manager of CFL and where necessary, corrective measures are adopted and discussions held with the Audit Committee and the Board of CFL.

Going Concern

After extensive analysis of Financial Statements, management reviews, feedback from the Group Internal Audit team and analysis of the annual budget, capital expenditure and other investment requirements, periodic cash flow forecasts and the organisation's liquidity indicators, the Board is convinced that the Company has sufficient cash flow to continue as a going concern in the foreseeable future.

By Order of the Board of
Convenience Foods (Lanka) PLC

E T De Zoysa
Managing Director

20 August 2018

Corporate Governance Contd.

Appendix 1

Corporate Governance Rule		Compliance Status	Details
7.10.1	**Non-Executive Directors**		
a)	The Board of Directors of a Listed Entity shall include at least, (i) Two (02) Non-Executive Directors; or (ii) Such number of Non-Executive Directors equivalent to one third of the total number of Directors whichever is higher.	Complied	Company has seven (07) Non-Executive Directors and one (01) Executive Director on its Board as at 31 March 2018.
b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied	The Company had seven (07) Non-Executive Directors and one (01) Executive Director at the conclusion of the Annual General Meeting for the financial year 2016/17.
c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Complied	There has not been any period of non compliance as explained above.
7.10.2	**Independent Directors**		
a)	Where the constitution of the Board of Directors includes only two Non-Executive Directors as mentioned above, both such Non-Executive Directors shall be 'Independent'. In all other instances two (02) or one third (1/3) of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'Independent'.	Complied	Three (03) out of seven (07) of Non-Executive Directors are determined to be Independent.
b)	The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/ her Independence or Non-Independence against the specified criteria.	Complied	The Independent Non-Executive Directors have submitted to the Company a declaration in the prescribed format.
7.10.3	**Disclosures Relating to Directors**		
a)	The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be 'Independent'.	Complied	Three (03) Non-Executive Directors are deemed to be Independent by the Board of Directors. They are as follows; Mr. M S Nanayakkara Dr. D M A Kulasooriya Mr. M U S G Thilakawardana

Corporate Governance Rule		Compliance Status	Details
b)	In the event a Director does not qualify as 'Independent' against any of the criteria set out below but if the Board, taking account of 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.	Complied	Refer page 11 in the report.
c)	In addition to the disclosures relating to the Independence of a Director set out above, the Board shall publish in its Annual Report a brief resume of each Director on its Board which includes information on the nature of his/ her expertise in relevant functional areas.	Complied	Refer Profile of Directors from pages 21 to 23 for a brief resume of the Board of Directors.
d)	Upon appointment of a new Director to its Board, the Entity shall forthwith provide to the exchange a brief resume of such Director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	N/A	During the year there were no such new appointments.
7.10.5	**Remuneration Committee**		
A Listed Entity shall have a Remuneration Committee in conformity with the following:			
a)	**Composition**		
	The Remuneration Committee shall comprise; (i) of a minimum of two Independent Non-Executive Directors (in instances where an Entity has only two Directors of its Board); or (ii) of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher.	Complied	Two (02) out of three (03) members of the Remuneration Committee are Independent Non-Executive Directors
	In a situation where both the Parent Company and the subsidiary are 'Listed Entities', the Remuneration Committee of the Parent Company may be permitted to function as the Remuneration Committee of the subsidiary.	N/A	N/A
	However, if the Parent Company is not a Listed Entity, then the Remuneration Committee of the Parent Company is not permitted to act as the Remuneration Committee of the subsidiary. The subsidiary shall have a separate Remuneration Committee.	Complied	Since Parent Company (CBL Investments Limited) is not a Listed Company, Remuneration Committee has been appointed specific to the Company.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	The Committee is led by Ms. N K Wickramasingha a Non-Executive Director.

Corporate Governance Contd.

Appendix 1 Contd.

Corporate Governance Rule		Compliance Status	Details
b)	Functions		
	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the Listed Entity and/ or equivalent position thereof, to the Board of Listed Entity which will make the final determination upon consideration of such recommendations.	Complied	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.
c)	Disclosures		
	The Annual Report should set out the names of Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Refer Remuneration Committee Report on page 29 for the members of the Company's Remuneration Committee and statement for the remuneration policy. Refer Directors' remuneration on note 08 of the Financial Statements.
7.10.6	**Audit Committee**		
A Listed Entity shall have an Audit Committee in conformity with the following:			
a)	Composition		
	(i) The Audit Committee shall comprise; of a minimum of two Independent Non-Executive Directors (in instances where an Entity has only two Directors on its Board); or (ii) of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher.	Complied	The Audit Committee comprise of three (03) Independent Non-Executive Directors as follows; Mr. M S Nanayakkara (Chairman) Dr. D M A Kulasooriya (Member) Mr. M U S G Thilakawardana (Member)
	In a situation where both the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary.	N/A	N/A

Corporate Governance Rule		Compliance Status	Details
	However, if the Parent Company is not a Listed Entity, then the Audit Committee of the Parent Company is not permitted to act as the Audit Committee of the subsidiary. The subsidiary should have a separate Audit Committee.	Complied	Since Parent Company (CBL Investments Limited) is not a Listed Company, the Audit Committee has been appointed specific to the Company.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	The Committee is led by Mr. M S Nanayakkara, a Non-Executive Director.
	Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings.	Complied	Both the officers have attended the Audit Committee meeting throughout the year.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Complied	The Chairman of the Committee is a Fellow Member of CA Sri Lanka and Associate Member of CIMA (UK).
b)	Functions		
	Shall include (i) Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs). (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the Independence and performance of the Entity's external auditors. (v) To make recommendation to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied	Refer Audit Committee Report on page 30.

Corporate Governance Contd.

Appendix 1 Contd.

Corporate Governance Rule		Compliance Status	Details
c)	Disclosures		
	The names of the Directors (or persons in the Parent Company's committee in the case of a Group Company) comprising the Audit Committee should be disclosed in the Annual Report.	Complied	Refer Audit Committee Report on page 30 for CFL Audit Committee members.
	The Committee shall make a determination of the Independence of the Auditors and shall disclose the basis for such determination in the Annual Report.	Complied	Refer Audit Committee Report on page 30.
	The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the Annual Report relates.	Complied	Refer Audit Committee Report on page 30.

Appendix 2

Section Reference	Requirement	Complied Status	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period.	Complied	Refer page 26.
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed.	Complied	Refer pages 36 to 65.
168 (1) (c)	Auditor's Report on Financial Statements of the Group and the Company.	Complied	Refer pages 33 to 35.
168 (1) (d)	Accounting policies and any changes therein.	Complied	Refer pages 40 to 48.
168 (1) (e)	Particulars of the entries made in the interest register during the accounting period.	Complied	Refer page 27.
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period.	Complied	Refer pages 49 and 62.
168 (1) (g)	Corporate donations made by the Company during the accounting period.	Complied	Refer page 28.
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period.	Complied	Refer pages 28 and 62.
168 (1) (i)	Amounts paid/ payable to the External Auditor as audit fees and fees for other services rendered during the accounting period.	Complied	Refer page 27.
168 (1) (j)	Auditor's relationship or any interest with the Company and its Subsidiaries.	Complied	Refer page 27.
168 (1) (k)	Acknowledgement of the contents of this report and signatures on behalf of the Board.	Complied	Refer page 28.

Board of Directors

Mr. R S Wickramasingha
Chairman
Mr. Wickramasingha was appointed as the Chairman of Convenience Foods (Lanka) PLC since 24 June 2015 having served on the Board since 10 May 2000. He is currently the Chairman of Ceylon Biscuits Group (CBL Group), the largest Fast Moving Consumer Group (FMCG) conglomerate in the food industry that manufactures biscuits, chocolates, wafers, cakes, soy products, cereals, snacks and dehydrated fruits. CBL possesses the strongest brands in the food industry and has market leadership in all categories it competes in. Its products are exported to over 50 countries while also operating in Bangladesh and Myanmar. He is also the Chairman of all subsidiary companies of the CBL Group.

Mr. Wickramasingha possesses vast and varied experience in the food industry and is qualified in Food technology at Borough Polytechnic, now known as the University of South Bank, UK. While his focus has been on continuous product innovation and quality improvement, he has over the years been overall in-charge of product quality assurance, product development and procurement across the CBL Group. He has been a Past President of the Lanka Confectionery Manufacturers Association.

Mr. E T De Zoysa
Managing Director
He 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 since 1996, currently being named as Convenience Foods (Lanka) PLC since 1996. He was appointed to the Board of CFL in 30 October 2002 and was appointed as the Managing Director of the Company with effect from 01 April 2011.

Ms. D S Wickramasingha
Director
Ms. Wickramasingha was first appointed to the Board of Soy Foods (Lanka) Ltd. (currently Convenience Foods (Lanka) PLC) in May 2000. She is the Group Managing Director of Ceylon Biscuits Limited and the Managing Director of Modern Pack Lanka (Private) Limited. She is also a Director of CBL Investments Limited, Ritzbury Lanka (Private) Limited, Plenty Foods (Private) Limited, CBL Foods International (Private) Limited, CBL Export (Private) Limited, CBL Natural Foods (Private) Limited, CBL Agroprocessors (Private) Limited, CBL Agro (Private) Limited, CBL Canneries (Private) Limited, CBL Cocos (Private) Limited, CBL Global Foods Limited, CBL Myanmar (Private) Limited, CBL Management Services (Private) Limited and Spar SL (Private) Ltd. She possesses a Master's Degree in Food Chemistry from USA.

Board of Directors Contd.

Ms. N K Wickramasingha
Director
Ms. Wickramasingha is a Director of CBL and serves on the Boards of the subsidiary companies of CBL. She holds a BSc.(Hons) Degree in Food Science from Purdue University, USA and is 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 21 years of experience with the CBL Group.

Dr. D M A Kulasooriya
Director
A BSc.(Hons) Graduate from the University of Peradeniya, Dr. Kulasooriya holds a PhD in Lean Management from JNTU, India and a MSc in Management at the University of Sri Jayawardenepura, a 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 National Institute of Business Management and possesses 22 years of experience in the field of Quality and Productivity Management, 12 years of which delt directly in Lean Six Sigma implementation and Data Analytics.

Mr. M U S G Thilakawardana
Director
Mr. 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 organisations including private and public companies. He started his career in 1990 having 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 practicing in original and appellate courts. Currently, he is the Legal Counsel of Rosmead Law Chambers.

Mr. M S Nanayakkara
Director
He has over 25 years of extensive experience in external and internal auditing and management consultancy related roles. Mr. Nanayakara is a fellow Member of Institute of Charted Accountants of Sri Lanka (FCA) and an Associate Member of the Charted Institute of Management Accountants (ACMA, UK). He also holds a Master of Business Administration degree from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and a Bachelor of Commerce degree from University of Colombo.

Mr. Nanayakkara was Appointed to the Board as an Independent Director in August 2010. Currently, he functions as the Senior Manager Group Assurance & Advisory Services of SriLankan Airlines and its subsidiary, SriLankan Catering Ltd.

Mr. N A Wickramage

Director

Mr. Wickramage, Head of Marketing & Sales is professionally qualified in Marketing, Sales and Retail Management and is a certified Master Practitioner of NLP (Neuro Linguistic Programming). With over 35 years hands-on experience in Business Management, he is one of the most renowned marketers in the country, well-known for his ability to turn around brands and achieve success, proven by his strategic and innovative thinking. His continuous success in this highly challenging task proves the efficacy of his practical and creative approach to strategic planning and brand building. His enormous contribution to Marketing and Leadership has been recognised not only locally but internationally as well with the most prestigious awards such as Global Brand Leadership Award 2010, Most Outstanding Marketing professional of the year 2011 by World Brand Congress, Marketing Professional of the year 2011 by CMO Council Asia, listed among 50 most talented Chief Marketing Officers (Global) at the World Marketing Summit 2013 and Peoples Leader Award in Marketing at IPM 2014. He is also a well-recognised local and international peak performance coach, personal development trainer, mentor and motivator. Mr. Wickramage resigned the Board on 01 April 2018 subsequent to the financial year 2017/18.

Our Innovative Product Range

CBL LANKASOY

Lankasoy Polos-Budget Pack

Polos is one of the most authentic and original taste of Sri Lanka. It is now made convenient to suit your everyday curry, in a special natural Polos curry mix from Lankasoy. No added MSG or any other artificial flavour enhancers or preservatives.

Lankasoy Malusoy Kiri Malu

Another innovative product from Lankasoy that gives the original taste, look and feel of a homemade Kiri Malu dish in a convenient manner. The special curry sachet contains no added MSG or any other artificial flavour enhancers. Lanka Soy Kiri Malu, keeps you craving for more.

CBL Sera

Sera Kottu-Kottu
Chicken/ Hot & Spicy/ Vegetable

A delicious, convenient and instant dry product made with good quality wheat flour under strict hygienic conditions. A special blend of spices and dry vegetable mix give its authentic taste. It is a great way to have the real Kottu experience at home. Sera Kottu-Kottu introduced to the market with three exciting and popular variants namely Chicken, Hot & Spicy and Vegetable. The product has no added MSG nor any other artificial flavour enhancers.

Tetos 60g

A new extruded potato snack under the Ramba range, Tetos made with real potato gives the real experience of potato chips/ french fries. Tetos has no added artificial flavours and colours and is trans fat free. Also the product has no added MSG nor any other artificial flavour enhancers.

Nutriline Multigrain

Indulge in the taste of Nutriline Multigrain cereal made ideal for a healthy adult lifestyle with its unique blend of corn, green gram, rice and soya enriched with 11 vitamins and minerals. Nutriline Multigrain is a source of fiber, which has no added flavours, colours or preservatives.

Nutriline Honey Bee

Nutriline Honey Bee ensures a right start for a great day. Made with a combination of nutritious ingredients such as corn, green gram, rice, soya and with added natural bee honey. The product is also enriched with 11 vitamins and minerals.

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

The Directors of Convenience Foods (Lanka) PLC have pleasure in presenting their Annual Report together with the Audited Consolidated Financial Statements of the Company and its subsidiary for the year ended 31 March 2018.

General

Convenience Foods (Lanka) PLC is a public limited liability company which was incorporated on 24 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 11 March 1992 and was listed on the Colombo Stock Exchange in May 1992. It was re-registered as per the Companies Act, No. 07 of 2007 on 25 June 2008 under Registration No. PQ 164. The name of the Company was changed to Convenience Foods (Lanka) PLC on 21 August 2008.

Principal Activity

The principle activity of the Company is the manufacture and marketing of Textured Vegetable Protein (TVP), which is popularly known as soya meat and also other food products.

Review of Business

A review of the business of the Company and its performance during the year with comments on financial results, future strategies and prospects are contained in the Chairman's review on pages 04 and 05.

This Report together with the Financial Statements, reflect the state of affairs of the Company.

Financial Statements

The Consolidated Financial Statements of the Company and its subsidiary are given from pages 36 to 65.

Auditors Report

The Report of the Auditors on the Financial Statements of the Company and the Group is given from pages 33 to 35.

Accounting Policies

The accounting policies adopted by the Company in the preparation of the Financial Statements are given from pages 40 to 48, which are consistent with those of the previous period except for the new policy on Employee Share Trust Loan.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear from pages 21 to 23.

Executive Directors

Mr. E T De Zoysa	- Managing Director

Non-Executive Directors

Mr. R S Wickramasingha	- Chairman
Ms. D S Wickramasingha	- Director
Mr. N A Wickramage	- Director (Resigned with effect from 01 April 2018)
Ms. N K Wickramasingha	- Director
*Mr. M U S G Thilakawardana	- Director
*Dr. D M A Kulasooriya	- Director
*Mr. M S Nanayakkara	- Director

**Independent Non-Executive Directors*

New Appointments During the Year

There were no new appointments during the year.

Resignations During the Year

There were no resignations during the year.

Post the year under review, Mr. N A Wickramage resigned on 01 April 2018.

Retirement by Rotation and the Re-election/ Re-appointment of Directors

A resolution for the re-appointment of Mr. R S Wickramasingha who is 71 years of age, will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act, No. 7 of 2007.

Directors of Subsidiary Companies

Soy Products (Private) Limited
Mr. R S Wickramasingha
Mr. E T De Zoysa

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 31 March 2018 as recorded in the Interest Register are given in this report under Directors' shareholding.

Related Party Transactions with the Company

All Related Party Transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a Related Party Transaction with the Company during the accounting period are recorded in the Interest 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 Parties Disclosure) with the Company are set out in Note 30 to the Financial Statements.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31 March 2018.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31 March 2018 and 31 March 2017 are as follows:

	As at 31.03.2018	As at 31.03.2017
Mr. R S Wickramasingha	Nil	Nil
Ms. D S Wickramasingha	Nil	Nil
Mr. E T De Zoysa	Nil	Nil
Mr. N A Wickramage (resigned w.e.f. 01 April 2018)	Nil	Nil
Ms. N K Wickramasingha	Nil	Nil
Mr. M U S G Thilakawardana	Nil	Nil
Dr. D M A Kulasooriya	Nil	Nil
Mr. M S Nanayakkara	Nil	Nil

Mr. R S Wickramasingha, Ms. D S Wickramasingha, Mr. N A Wickramage and Ms. N K Wickramasingha served as Directors of Ceylon Biscuits Limited, which held 1,962,977 shares equivalent to 71.38% of the shares constituting the Stated Capital of the Company.

On 4 September 2017, CBL Investments Limited purchased the said 1,962,977 (One million nine hundred and sixty two thousand nine hundred and seventy seven) Ordinary Shares (constituting 71.38% of the issued shares) in Convenience Foods (Lanka) PLC from Ceylon Biscuits Limited at a price of Rs. 315/- per share. Mr. R S Wickramasingha, Ms. D S Wickramasingha and Ms. N K Wickramasingha serve as Directors of CBL Investments Limited. Mr. N A Wickramage was also a Director of CBL Investments Limited.

Directors' Remuneration

The Directors' remuneration is disclosed under Note 08 to the Financial Statements.

Directors' Responsibility for Financial Reporting

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

Auditors

Messrs. SJMS Associates, Chartered Accountants served as the Auditors during the year under review. They do not have any interest in the Company other than as Auditors.

The fee payable to the Auditors for the year under review is Rs.648,088/-.

Messrs. Ernst & Young provided tax compliance services during the year under review and the fee payable therefore amounts to Rs. 240,409/-.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs. 52,521,178/- represented by 2,750,000 (Two million seven hundred and fifty thousand) Ordinary Shares.

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

Major Shareholders, Distribution Schedule and Other Information

Ceylon Biscuits Limited (CBL), the major shareholder of the Company, sold its shareholding to CBL Investments Limited (the new Parent Company of CBL) on 04 September 2017.

Information on the twenty (20) largest shareholders of the Company, the distribution schedule of shareholders, percentage of shares held by the public, market values per share as per the Listing Rules of the Colombo Stock Exchange are given on pages 66 & 67 under Shareholder Information.

Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 38.

Capital Expenditure

The total capital expenditure during the year was Rs. 31,031,146/-. Details of movements in property, plant and equipment and intangible assets are given in Notes 12 & 14 of the Financial Statements.

Land Holdings

The Company does not own any freehold land.

Financial Ratios

The Earnings per share and other financial ratios are given under the Performance Summary on page 68.

Dividend

The payment of a first and final dividend of Rs. 5/- per share as recommended by the Board of Directors will be proposed at the Annual General Meeting.

Donations

Neither the Company nor its subsidiary made any donations during the year under review.

Events Occurring After the Reporting Period

No material circumstances have arisen since the reporting date, which would require adjustment to, or disclosure in the Financial Statements.

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.

Special Business

The Directors have recommended the appointment of Mr. Lakshman Joseph Mervin De Silva who is 74 years of age, as a Director of the Company and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the appointment of Mr. L J M De Silva.

Annual General Meeting

The Annual General Meeting will be held on 19 September 2018 at Ceylon Biscuits Limited at Makumbura, Pannipitiya.

The Notice of the Annual General Meeting appears on page 02.

Signed for and on behalf of the Board of Directors by,

R S Wickramasingha
Chairman

E T De Zoysa
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

20 August 2018
Colombo

Remuneration Committee Report

The Role and Responsibilities

The Remuneration 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 maximising the overall profitability of the organisation in the long term. The Committee has acted within the parameters set out by Listing Rules of the Colombo Stock Exchange.

Remuneration Committee Composition

As guidelines set out by the Colombo Stock Exchange, the Remuneration Committee comprises of 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 at 31 March 2018 were as follows,

- Ms. N K Wickramasingha (Chairman)
- Dr. D M A Kulasooriya (Member)
- Mr. M U S G Thilakawardana (Member)

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.
- Ensuring no Director is involved in deciding his own pay package.
- Deciding on the remuneration packages and extra benefits of the Executive Director.

Remuneration Policy

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

Remuneration Committee Meetings

The Committee meets to ensure two-way communication, comprehensive dialogue and resolution of issues. Meetings are held as often as required. Recommendation on compensation structures, bonuses, increments and matters concerning recruitment of 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 Packages

The cumulative amount paid to Directors as remuneration during the year under review is recorded in Note 08 to the Financial Statements.

N K Wickaramasingha
Chairman - Remuneration Committee

20 August 2018

Audit Committee Report

The Role and Responsibilities

The key roles of Audit Committee are 'oversight', 'assessment' and 'review' of the following functions and system of Convenience Foods (Lanka) PLC;

- Ensure that the corporate governance, system of internal controls and risk management processes are effectively administrated, are operating efficiently and are regularly monitored.
- Ensure the preparation, presentation and adequacy of disclosure of the Financial Statements in accordance with the Sri Lanka Accounting Standards and other relevant laws and regulations.
- Review of the Company's process for monitoring compliance with laws, regulations and Company policies.
- Assess the independence of the External Audit function and the Internal Audit function.
- Review the re-appointment of External Auditor and to approve the terms of engagement and remuneration of the External Auditor.

Audit Committee Composition and Meetings

The Audit Committee comprises of three (03) Non-Executive Directors all of whom are Independent. The members of the Audit Committee as at 31 March 2018 were as follows,

- Mr. M S Nanayakkara (Chairman)
- Dr. D M A Kulasooriya (Member)
- Mr. M U S G Thilakawardana (Member)

During the financial year ended 31 March 2018, 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. SJMS Associates, Chartered Accountants to ascertain the nature, scope and approach of the External Audit function and to review the Financial Statements and the management reports.

Internal Audit Function

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

Key Activities of the Audit Committee During the Financial Year

- Ensured that a good 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 same to the Board.
- Reviewed the implementation of the annual Internal Audit plan and the audit findings on the system of internal controls including IS/ IT controls and the status 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 being taken on a timely basis.
- Reviewed the procedures in place for the identification, evaluation and management of business risks.
- Reviewed the extent of compliance with laws of the country, government regulations, listing rules of the Colombo Stock Exchange 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 monitoring 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 re-appointment of Messrs. SJMS Associates, Chartered Accountants as the External Auditor and approved the remuneration and terms of engagement of the External Auditor.

M.S.

M S Nanayakkara
Chairman – Audit Committee

20 August 2018

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 Securities and Exchange Commission (SEC) Code of Best Practices on Related Party Transactions ("the Related Party Code") and the Listing Rules of the Colombo Stock Exchange.

Furthermore, the Committee establishes guidelines and policies for management and reporting of Related Party Transactions. The Committee remains steadfast ensuring fairness and transparency is maintained in reviewing Related Party Transactions and communicating the same to the Board.

Related Party Transactions Review Committee Composition

The Committee comprises of three (03) Independent Non-Executive Directors and one (01) Executive Director. The Chairman of the Committee is an Independent Non-Executive Director. The members of the Related Party Transactions Review Committee as at 31 March 2018 were as follows,

- Dr. D M A Kulasooriya (Chairman)
- Mr. M S Nanayakkara (Member)
- Mr. M U S G Thilakawardana (Member)
- Mr. E T De Zoysa (Member)

During the Financial Year ended 31 March 2018, the Committee held four (04) meetings. The members of the Management attend the meetings upon invitation to brief the Committee on specific issues.

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

- Reviewed and pre-approved all non- recurrent Related Party Transactions of the Company prior to approval by the Board of Directors
- Reviewed 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 of all shareholders and adequate transparency is maintained.

Key Management Personnel

The Directors of the Company were designated as Key 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.

Dr. D M A Kulasooriya
Chairman – Related Party Transactions Review Committee

20 August 2018

EXCEEDANCE

EXPECTATIONS SURPASSED

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Independent Auditor's Report

Deloitte.

SJMS Associates
Chartered Accountants
No.11, Castle Lane
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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"), and the consolidated Financial Statements of the company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2018, 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.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Nature and area of focus	How our audit addressed the key audit matter
Revenue recognition We refer to note 4.2.1 to the Financial Statements which explains the Group's accounting policy on revenue recognition. As disclosed in note 5 to the Financial Statements, the Group recognised a revenue of Rs.1,915,822,410/- during the year ended 31 March 2018. The Group focusses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the risks and rewards have been transferred, resulting in a significant risk associated with revenue from an audit perspective. Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.	Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework. Control testing over the point of transfer of risk and rewards was supported by substantive audit procedures including, amongst others: • Performing analytical review procedures • Testing a sample of sales transactions around year end to ensure inclusion in the correct period; • Testing of a sample of sales and trade receivables at year end by agreeing a sample of invoices at year end to subsequent receipts from customers.

P. E. A. Jayewickreme, M. B. Ismail, Ms. S. L. Jayasuriya, G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, R. H. M. Minfaz, Ms. S. Y. Kodagoda

Independent Auditor's Report Contd.

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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 and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Deloitte.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report On Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3991.

sjms associates

SJMS ASSOCIATES
Chartered Accountants

01 August 2018

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	Company 2017/2018 Rs.	Company 2016/2017 Rs.	Group 2017/2018 Rs.	Group 2016/2017 Rs.
Revenue	5	1,915,822,410	1,546,475,941	1,915,822,410	1,546,475,941
Cost of sales		(1,220,138,719)	(1,048,051,459)	(1,220,138,719)	(1,048,051,459)
Gross profit		695,683,691	498,424,482	695,683,691	498,424,482
Other income	6	57,386,996	44,916,987	57,038,049	44,916,987
Distribution expenses		(393,091,335)	(314,034,204)	(393,091,335)	(314,034,204)
Administrative expenses		(102,324,916)	(89,093,823)	(102,324,916)	(89,093,823)
Finance expenses	7	(327,338)	(1,943,100)	(327,338)	(1,943,100)
Profit before tax	8	257,327,098	138,270,344	256,978,151	138,270,344
Income tax expense	9	(86,944,533)	(51,155,944)	(86,944,533)	(51,155,944)
Profit for the year		**170,382,565**	**87,114,400**	**170,033,618**	**87,114,400**
Other comprehensive income					
Items that will not be reclassified subsequently to profit/ (loss):					
Re-measurement component of defined benefit plan		(6,099,190)	6,824,511	(6,099,190)	6,824,511
Deferred tax effect on re-measurement of defined benefit plans		1,707,773	(1,910,863)	1,707,773	(1,910,863)
Total other comprehensive income for the year, net of income tax		(4,391,417)	4,913,648	(4,391,417)	4,913,648
Total comprehensive income for the year		**165,991,149**	**92,028,048**	**165,642,202**	**92,028,048**
Profit for the year attributable to:					
Owners of the Company		170,382,565	87,114,400	170,033,618	87,114,400
Non-controlling interest		-	-	-	-
		170,382,565	**87,114,400**	**170,033,618**	**87,114,400**
Total comprehensive income for the year attributable to:					
Owners of the Company		165,991,149	92,028,048	165,642,202	92,028,048
Non-controlling interest		-	-	-	-
		165,991,149	**92,028,048**	**165,642,202**	**92,028,048**
Earnings per share - basic	10	61.96	31.68	61.83	31.68
Dividend per share	11	4.00	4.00	4.00	4.00

The accounting policies and notes on pages 40 to 65, form an integral part of these Financial Statements.

Statement of Financial Position

As at	Note	Company 31.03.2018 Rs.	Company 31.03.2017 Restated Rs.	Company 01.04.2016 Restated Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Restated Rs.	Group 01.04.2016 Restated Rs.
Assets							
Non current assets							
Property, plant and equipment	12	253,135,171	270,843,939	291,042,879	253,135,171	270,843,939	291,042,879
Leasehold land	13	5,086,170	5,155,766	5,289,275	5,086,170	5,155,766	5,289,275
Intangible assets	14	9,070,692	8,915,549	9,472,995	9,070,692	8,915,549	9,472,995
Investment in subsidiary	15	20	20	20	-	-	-
Total non current assets		267,292,053	284,915,274	305,805,170	267,292,033	284,915,254	305,805,150
Current assets							
Inventories	16	160,131,838	110,320,359	124,110,383	160,131,838	110,320,359	124,110,383
Trade and other receivables	17	308,646,965	240,266,290	196,176,562	308,646,965	240,266,290	196,176,562
Amounts due from related parties	18	4,527,627	1,845,035	4,147,669	4,527,627	1,845,035	4,147,669
Other financial assets	19	476,498,112	312,682,790	308,009,301	476,498,112	312,682,790	308,009,301
Cash in hand and at bank	20	31,420,727	17,896,018	1,058,381	31,420,727	17,896,018	1,058,381
Total current assets		981,225,269	683,010,492	633,502,296	981,225,269	683,010,492	633,502,296
Total assets		1,248,517,322	967,925,766	939,307,466	1,248,517,302	967,925,746	939,307,446
Equity and liabilities							
Equity attributable to equity - holders of the parent							
Stated capital	21	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178	52,521,178
Other reserves	22	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945
Retained earnings		803,747,953	648,756,804	567,728,756	803,179,294	648,537,092	567,509,045
Total equity		897,883,076	742,891,927	661,863,879	897,314,417	742,672,216	661,644,168
Liabilities							
Non current liabilities							
Deferred tax liabilities	23	18,646,416	20,385,817	15,984,924	18,646,416	20,385,817	15,984,924
Interest bearing borrowing		-	-	1,481,482	-	-	1,481,482
Retirement benefit obligations	24	54,188,772	41,269,953	45,425,885	54,188,772	41,269,953	45,425,885
Total non current liabilities		72,835,188	61,655,770	62,892,291	72,835,188	61,655,770	62,892,291
Current liabilities							
Trade and other payables	25	225,382,382	143,574,051	161,373,563	225,951,020	144,142,689	161,942,201
Interest bearing borrowing		-	-	17,777,756	-	-	17,777,756
Current tax liabilities	26	48,053,685	15,898,090	2,846,834	48,053,685	15,898,090	2,846,834
Amounts due to related parties	27	4,362,992	3,905,928	2,829,962	4,362,992	3,556,981	2,481,016
Bank overdrafts		-	-	29,723,179	-	-	29,723,179
Total current liabilities		277,799,059	163,378,069	214,551,294	278,367,697	163,597,760	214,770,986
Total liabilities		350,634,246	225,033,839	277,443,585	351,202,885	225,253,530	277,663,277
Total equity and liabilities		1,248,517,322	967,925,766	939,307,466	1,248,517,302	967,925,746	939,307,446
Net assets value per share		326.50	270.14	240.68	326.30	270.06	240.60

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

Dasun Mendis
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board on 01 August 2018.

R.S. Wickramasingha
Chairman

E.T. De Zoysa
Managing Director

The accounting policies and notes on pages 40 to 65, form an integral part of these Financial Statements.

Statement of Changes in Equity

Year ended 31 March 2018 Company	Stated capital Rs.	Other reserves Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01 April 2016 as previously reported	52,521,178	-	609,342,701	661,863,879
Prior period adjustment (Note 33)	-	41,613,945	(41,613,945)	-
Restated balance as at 01 April 2016	52,521,178	41,613,945	567,728,756	661,863,879
Profit for the year	-	-	87,114,400	87,114,400
Other comprehensive income				
Re-measurement component of defined benefit plan, net of tax	-	-	4,913,648	4,913,648
Dividend for the year 2015/2016	-	-	(11,000,000)	(11,000,000)
Balance as at 31 March 2017	52,521,178	41,613,945	648,756,804	742,891,927
Profit for the year	-	-	170,382,565	170,382,565
Other comprehensive income				
Re-measurement component of defined benefit plan, net of tax	-	-	(4,391,417)	(4,391,417)
Dividendfortheyear2016/2017	-	-	(11,000,000)	(11,000,000)
Balance as at 31 March 2018	52,521,178	41,613,945	803,747,953	897,883,076

Year ended 31 March 2018 Group	Stated capital Rs.	Other reserves Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01 April 2016 as previously reported	52,521,178	-	609,122,990	661,644,168
Prior period adjustment (Note 33)	-	41,613,945	(41,613,945)	-
Restated balance as at 01 April 2016	52,521,178	41,613,945	567,509,045	661,644,168
Profit for the year	-	-	87,114,400	87,114,400
Other comprehensive income				
Re-measurement component of defined benefit plan, net of tax	-	-	4,913,648	4,913,648
Dividend for the year 2015/2016	-	-	(11,000,000)	(11,000,000)
Restated balance as at 31 March 2017	52,521,178	41,613,945	648,537,092	742,672,216
Profit for the year	-	-	170,033,618	170,033,618
Other comprehensive income				
Re-measurement component of defined benefit plan, net of tax	-	-	(4,391,417)	(4,391,417)
Dividend for the year 2016/2017	-	-	(11,000,000)	(11,000,000)
Balance as at 31 March 2018	52,521,178	41,613,945	803,179,294	897,314,417

The accounting policies and notes on pages 40 to 65, form an integral part of these Financial Statements.

Statement of Cash Flow

Year ended 31 March	Company		Group	
	2017/2018	2016/2017	2017/2018	2016/2017
	Rs.	Rs.	Rs.	Rs.
Cash flows from/ (used in) operating activities				
Profit before taxation	257,327,098	138,270,344	256,978,151	138,270,344
Adjustments for:				
Depreciation	47,424,412	43,080,717	47,424,412	43,080,717
Amortisation	1,229,955	1,119,860	1,229,955	1,119,860
Interest income	(48,963,876)	(32,916,502)	(48,963,876)	(32,916,502)
Profit on disposal of assets	-	(4,724,174)	-	(4,724,174)
Interest expenses	26,170	1,284,285	26,170	1,284,285
Adjustments for leasehold assets	-	63,913	-	63,913
Provision for gratuity	9,837,357	8,669,782	9,837,357	8,669,782
Operating profit before working capital changes	**266,881,116**	**154,848,225**	**266,532,169**	**154,848,225**
(Increase)/ decrease in inventories	(49,811,479)	13,790,024	(49,811,479)	13,790,024
(Increase)/ decrease in trade and other receivables	(68,380,675)	(44,089,728)	(68,380,675)	(44,089,728)
(Increase)/ decrease in amount due from related parties	(2,682,592)	2,302,634	(2,682,592)	2,302,634
Increase/ (decrease) in amount due to related parties	457,064	1,075,966	806,011	1,075,966
Increase/ (decrease) in trade and other payables	81,808,331	(17,799,512)	81,808,331	(17,799,512)
Cash generated from operations	**228,271,765**	**110,127,608**	**228,271,765**	**110,127,608**
Retirement benefits paid	(3,017,728)	(6,001,202)	(3,017,728)	(6,001,202)
Income tax paid	(54,820,566)	(35,614,660)	(54,820,566)	(35,614,660)
Net cash generated by operating activities	**170,433,471**	**68,511,746**	**170,433,471**	**68,511,746**
Cash flows from investing activities				
Payments for property, plant & equipment	(29,715,644)	(23,023,151)	(29,715,644)	(23,023,151)
Payments for intangible assets	(1,315,502)	(492,818)	(1,315,502)	(492,818)
Proceeds from disposal of property, plant and equipment	-	4,865,548	-	4,865,548
Interest received	48,963,876	32,916,502	48,963,876	32,916,502
(Increase)/ decrease in short term investment	(163,815,322)	(4,673,489)	(163,815,322)	(4,673,489)
Net cash flow generated by/ (used in) investing activities	**(145,882,592)**	**9,592,592**	**(145,882,592)**	**9,592,592**
Cash flows from financing activities				
Repayments of borrowings	-	(19,259,238)	-	(19,259,238)
Interest paid	(26,170)	(1,284,285)	(26,170)	(1,284,285)
Dividends paid to owners of the Company	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
Net cash generated by/ (used in) financing activities	**(11,026,170)**	**(31,543,523)**	**(11,026,170)**	**(31,543,523)**
Net increase in cash & cash equivalents	13,524,709	46,560,816	13,524,709	46,560,816
Cash & cash equivalents at the beginning of the year	17,896,018	(28,664,798)	17,896,018	(28,664,798)
Cash & cash equivalents at the end of the year	**31,420,727**	**17,896,018**	**31,420,727**	**17,896,018**
Cash & cash equivalents at the end of the year				
Cash in hand and at bank	31,420,727	17,896,018	31,420,727	17,896,018
Bank overdrafts	-	-	-	-
	31,420,727	**17,896,018**	**31,420,727**	**17,896,018**

The accounting policies and notes on pages 40 to 65, form an integral part of these Financial Statements.

Notes to the Financial Statements

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 Makumbura, Pannipitiya and the principal place of business is situated at No. 133, 7th Lane, Off Borupana Road, Kandawala, Rathmalana. The consolidated Financial Statements of Convenience Foods (Lanka) PLC for the year ended 31 March 2018 comprises the Company and its subsidiary (together referred to as the "Group").

1.2 Principal activities and nature of operations

The Company is engaged in the manufacture and marketing of Textured Vegetable Protein (TVP) and Other Food Products.

1.3 Parent company

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

1.4 Date of authorisation for issue

The Financial Statements of Group for the year ended 31 March 2018 were authorised for issue under a resolution of the Board of Directors on 01 August 2018

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Group (statement of financial position, statement of 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.

2.2 Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiary. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to benefit from its activities.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

The following companies have been consolidated:

- Convenience Foods (Lanka) PLC – Parent
- Soy Products (Pvt) Ltd - Subsidiary

Subsidiary is the enterprise controlled by the parent. The Financial Statements of the subsidiary are included in the consolidated Financial Statements from the date on which control is effectively transferred to the Company until the date that control effectively ceases.

Control exists when the parent has the power, directly or indirectly to govern the financial and operating policies of an enterprise.

However, the subsidiary had not carried out any operations during the year.

2.3 Basis of measurement

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

- Liability of defined benefit obligation is recognised as the present value of the defined benefit obligation

2.4 Functional and presentation currency

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

2.5 Comparative information

The accounting policies have been consistently applied by the Group with those of the previous financial year in accordance with LKAS 01 - presentation of Financial Statements.

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

2.6 Materiality and aggregation

In compliance with LKAS 01 on presentation of Financial Statements, each material class of similar items are 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 realise the assets and settle the liability simultaneously. Income and expenses are not off-set 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 JUDGMENTS, 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 judgments, 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 judgments and estimates.

In the process of applying the Company's accounting policies, the Management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the Financial Statements:

a) Taxation

The Company recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is 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.

b) Useful life-time of the property, plant and equipment

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

c) 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.

d) Impairment losses on financial assets

The Group assesses at each reporting date or more frequently to determine whether there is any objective evidence whether an impairment loss should be recorded in the Statement of Comprehensive Income.

e) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax credits to the extent it is probable that taxable profits will be available against which these losses/ credits can be utilised. Significant Management judgments 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.

f) Defined benefit plans

The cost of defined benefit plans are 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.

Notes to the Financial Statements Contd.

In determining the appropriate discount rate, the Management considers the yield of Sri Lankan 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 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 of the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees using the spot foreign exchange rate as at the date and all differences arising in non-trading activities are taken to "other income" in the Statement of Comprehensive Income.

4.2 Revenue recognition

4.2.1 Sale of goods

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

a) The Company has transferred significant risks and rewards of ownership of the goods to the buyer.

b) The Company retaining, neither a continuing managerial involvement to the degree usually associated with ownership nor an effective control over the goods sold.

c) The amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity; and

d) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.2.2 Interest income

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

4.2.3 Dividend income

Dividend income is recognised in the Statement of Comprehensive Income on an accrual basis when the Company's right to receive the dividend is established.

4.2.4 Other income

Other income is recognised on an accrual basis.

4.3 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 running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income.

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

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income.

4.4 Taxation

4.4.1 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.

4.4.2 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. Carrying forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carrying 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 rate 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.

4.4.3 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.

4.5 Non-financial asset

4.5.1 Property, plant and equipment

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 recognised in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment is recognised in the statement of comprehensive income 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.

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 the statement of comprehensive income in the year the asset is de-recognised.

Notes to the Financial Statements Contd.

4.5.2 Impairment of non–financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

4.6 Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term that are classified as operating leases. Operating lease payments are recognised as expenses on a straight-line basis over the lease term or on a basis which is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.7 Finance leases

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

4.8 Intangible asset

Computer software

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

4.9 Investment in subsidiary

In the Company's Financial Statements, the investment in subsidiary is treated as a long term investment and stated at cost. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed and included in administrative expenses.

4.10 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 & Accessories	- At actual cost on weighted average basis.

4.11 Financial assets – recognition and measurement

4.11.1 Initial recognition

All financial assets are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time-frame generally established by regulation or convention in the market place.

4.11.2 Initial measurement

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the Management's intention in acquiring them. All financial instruments are measured initially at fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

4.11.3 Subsequent measurement

The Company subsequently measures non-derivative financial assets categorising them into the categories of financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-sale of financial assets.

i. Financial assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

ii. Held-to-maturity financial investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. Subsequent to initial measurement, held to maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment.

iii. Loans and receivables

Loans and receivables include non– derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss
- Those that the Company, upon initial recognition, designates as available for sale
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, loans and receivables are subsequently measured at amortised cost using the EIR method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in 'impairment gain/ (loss) on loans and receivables'.

iv. Available-for-sale financial investments

Available for sale investments are those which are neither classified as held for trading nor designated at fair value through profit or loss. The Company has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income in other income.

4.11.4 Reclassification of financial assets

The Company may re-classify non-derivative financial assets other than those designated at FVTPL upon initial recognition, in certain circumstances:

- Out of the held-for-trading category and into the available for sale, loans and receivables, or held-to-maturity categories.
- Out of the 'available-for-sale' category and into the 'loans and receivables', 'held for trading category' or 'held-to-maturity'. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. For a financial asset re-classified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the statement of comprehensive income.
- Out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is re-classified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase are recognised as an adjustment to the EIR from the date of the change in estimate.

Re-classification is at the election of the Management, and is determined on an instrument by instrument basis.

4.11.5 De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired.

Notes to the Financial Statements Contd.

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement and either:
  - The Company has transferred substantially all the risks and rewards of the asset or
  - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises the associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

4.11.6 Identification, measurement and assessment of impairment

At each reporting date the Company assesses whether there is any objective evidence that financial asset not carried at fair value through profit or loss are impaired. A financial asset or a Group of financial assets is impaired when an objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Company writes off loans and advances and investment securities when they are determined to be unrecoverable.

4.12 Cash and bank balances

Cash and bank balances are defined as cash-in-hand and balances with banks.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

4.13 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.

According, to the Sri Lanka Accounting Standards the loan to the Share Trust requires to be adjusted from equity/ stated capital of the Company. 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 an appropriate reserve without recognising any adjustments to the profit or total comprehensive income for the respective year.

4.14 Gain on employee share trust loan

The loan given by the Company to the Share Trust was recognised as a loan provided to buy back the Company's own shares. When the shares held by the Trust, were disposed by the trust the amount received is recognised as an increase in equity, and the resulting surplus on the transaction is recognised in a separate reserve.

4.15 Retirement benefit obligations

4.15.1 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's 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 gains and losses that arise in calculating the Company's obligation in respect of the plan in other Comprehensive Income during the period in which it occurs.

4.15.2 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 the statement of comprehensive income 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.

4.16 Financial liabilities

4.16.1 Initial recognition and measurement

The Company classified financial liabilities into financial liabilities at Fair Value through Profit or Loss (FVTPL) or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Company recognises financial liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

i. Financial liability at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

Upon initial recognition, transaction costs are directly attributable to the acquisition are recognised in profit or loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

ii. Other financial liabilities

Other financial liabilities including deposits, debts issued by the Company and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

4.16.2 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

4.17 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 the statement of comprehensive income net of any reimbursement.

4.18 Statement of cash flows

The statement of cash flows has been prepared using the indirect method, as stipulated in LKAS 07- 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 yet effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards that have an effective date in the future and have not yet been applied in preparing the Financial Statements for the year ended 31 March 2018.

Notes to the Financial Statements Contd.

4.20.1 Sri Lanka Accounting Standard (SLFRS 9) – Financial Instruments: Classification and measurement

This standard applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. This standard is effective for financial periods beginning on or after 01 January 2018. The Company plans to assess the potential impact on its Financial Statements resulting from the application of SLFRS 9 in the financial year 2018/2019.

4.20.2 Sri Lanka Accounting Standard (SLFRS 15) – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS 18) - Revenue, Sri Lanka Accounting Standard (LKAS 11) - Construction Contracts and (IFRIC 13) - Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018. The Company plans to assess the potential impact on its Financial Statements resulting from the application of SLFRS 15 in the financial year 2018/2019.

4.20.3 Sri Lanka Accounting Standard (SLFRS 16) - Leases

This standard sets outs the principles for the recognition, measurement, presentation and disclosure of leases and provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases other than short term leases (lease term is 12 months or less) and leases for which the underlying asset has a low value although accounting for lessors remains substantially similar to the current practice. This standard is effective for the annual periods beginning on or after 01 January 2019. The Company plans to assess the potential impact on its Financial Statements resulting from the application of SLFRS 16 in the financial year 2018/2019.

4.20.4 Improvements and other amendments to SLFRS/LKAS

Amendments to existing accounting standards effective from financial period beginning on or after 01 January 2017 as published by the Institute of Chartered Accountants of Sri Lanka did not have any material impact on the financial statements of the Company.

Year ended 31 March	Company 2017/2018 Rs.	Company 2016/2017 Rs.	Group 2017/2018 Rs.	Group 2016/2017 Rs.
5. REVENUE				
Sales	1,960,032,578	1,585,692,367	1,960,032,578	1,585,692,367
Sales return	(44,210,168)	(39,216,426)	(44,210,168)	(39,216,426)
	1,915,822,410	1,546,475,941	1,915,822,410	1,546,475,941
6. OTHER INCOME				
Interest income	48,963,876	32,916,502	48,963,876	32,916,502
Exchange gains	1,378,423	1,687,804	1,378,423	1,687,804
Scrap sales net income	4,617,212	5,073,274	4,617,212	5,073,274
Profit on disposal of assets	-	4,724,174	-	4,724,174
Write back of amount due to related party	348,947	-	-	-
Other revenues	2,078,538	515,232	2,078,538	515,232
	57,386,996	44,916,987	57,038,049	44,916,987
7. FINANCE EXPENSES				
Bank charges	301,168	658,814	301,168	658,814
Overdraft interest	3,499	137,885	3,499	137,885
Interest on security deposit	22,671	-	22,671	-
Loan interest	-	1,146,400	-	1,146,400
	327,338	1,943,100	327,338	1,943,100
8. PROFIT BEFORE TAX				
Profit for the year is stated after charging all expenses including the following:				
Directors fees and emoluments	13,224,887	11,750,695	13,224,887	11,750,695
Staff costs	227,170,479	188,323,708	227,170,479	188,323,708
Contributions to Employees' Provident Fund	13,544,737	11,986,691	13,544,737	11,986,691
Contributions to Employees' Trust Fund	3,355,155	2,996,673	3,355,155	2,996,673
Defined benefit plan contribution	9,837,357	8,669,782	9,837,357	8,669,782
Depreciation	47,424,412	43,080,717	47,424,412	43,080,717
Amortisation	1,229,955	1,119,860	1,229,955	1,119,860
Audit and related services	648,088	744,726	648,088	744,726
9. INCOME TAXES				
9.1 Income tax recognised in profit or loss				
Current tax (Note 9.1)	87,797,028	48,569,917	87,797,028	48,569,917
(Over)/ under provision for previous year's taxes	(820,867)	95,997	(820,867)	95,997
Deferred tax (Note 23)	(31,628)	2,490,030	(31,628)	2,490,030
Total income tax expense recognised in the current year	86,944,533	51,155,944	86,944,533	51,155,944

Notes to the Financial Statements Contd.

9. INCOME TAXES (CONTD.)

The income tax expenses for the year can be reconciled to the accounting profit as follows:

Year ended 31 March	Company 2017/2018 Rs.	Company 2016/2017 Rs.	Group 2017/2018 Rs.	Group 2016/2017 Rs.
Accounting profit as per tax computation	257,327,098	138,270,344	257,327,098	138,270,344
Tax at the applicable tax rate of (2017 : 28%)	72,051,587	38,715,696	72,051,587	38,715,696
Tax effect on expenses that are not deductible in determining taxable profits	28,159,602	22,941,195	28,159,602	22,941,195
Tax effect on expenses that are deductible in determining taxable profits	(26,124,047)	(22,303,594)	(26,124,047)	(22,303,594)
Tax effect on interest income	13,709,885	9,216,620	13,709,885	9,216,620
Income tax expenses at the effective income tax rate	87,797,028	48,569,917	87,797,028	48,569,917
Statutory tax rate	28%	28%	28%	28%
Effective tax rate	34%	35%	34%	35%

9.2 Income tax recognised in other comprehensive income

	Company 2017/2018 Rs.	Company 2016/2017 Rs.	Group 2017/2018 Rs.	Group 2016/2017 Rs.
Deferred tax arising from re-measurement component of employee benefit obligation	1,707,773	(1,910,863)	1,707,773	(1,910,863)

10. EARNINGS PER SHARE - BASIC/ DILUTED

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Year ended 31 March	Company 2017/2018 Rs.	Company 2016/2017 Rs.	Group 2017/2018 Rs.	Group 2016/2017 Rs.
Amount used as the numerator				
Profit after tax attributable to ordinary shareholders	170,382,565	87,114,400	170,033,618	87,114,400
Amount used as the denominator				
Weighted average number of ordinary shares in issue	2,750,000	2,750,000	2,750,000	2,750,000
Earnings per share - basic/ diluted	61.96	31.68	61.83	31.68

11. DIVIDENDS PER SHARE

	Company 2017/2018	Company 2016/2017	Group 2017/2018	Group 2016/2017
First and final dividends	11,000,000	11,000,000	11,000,000	11,000,000
Number of ordinary shares	2,750,000	2,750,000	2,750,000	2,750,000
Dividend per share	4.00	4.00	4.00	4.00

* The previous year's final dividend was paid in the financial year 2017/18

12. PROPERTY, PLANT AND EQUIPMENT (PPE)

Company / Group	Buildings Rs.	Machinery Rs.	Furniture fittings and office equipment Rs.	Motor vehicles Rs.	Installations, tools and equipment Rs.	Point of sale equipment Rs.	Total Rs.
Cost							
Balance at 01 April 2016	222,218,352	160,591,309	32,878,382	50,081,571	29,572,363	-	495,341,976
Additions during the year	-	2,974,731	2,173,445	17,299,000	575,975	-	23,023,151
Disposals during the year	-	(3,443,182)	(876,222)	(9,341,111)	(184,392)	-	(13,844,907)
Balance at 31 March 2017	222,218,352	160,122,858	34,175,604	58,039,459	29,963,946	-	504,520,219
Additions during the year	1,136,271	8,415,505	1,640,596	14,783,885	385,636	3,353,751	29,715,644
Disposals during the year	-	-	(6,600)	-	-	-	(6,600)
Balance at 31 March 2018	**223,354,623**	**168,538,363**	**35,809,600**	**72,823,344**	**30,349,582**	**3,353,751**	**534,229,263**
Accumulated depreciation							
Balance at 01 April 2016	44,428,836	94,101,300	17,891,535	28,068,714	19,808,712	-	204,299,097
Disposals during the year	-	(3,443,182)	(734,849)	(9,341,111)	(184,392)	-	(13,703,534)
Charge for the year	8,885,039	15,079,233	4,342,036	11,512,375	3,262,035	-	43,080,717
Balance at 31 March 2017	53,313,875	105,737,351	21,498,723	30,239,978	22,886,354	-	233,676,280
Disposals during the year	-	-	(6,600)	-	-	-	(6,600)
Charge for the year	8,928,873	15,581,611	4,234,876	14,609,090	2,952,045	1,117,917	47,424,412
Balance at 31 March 2018	**62,242,748**	**121,318,962**	**25,726,998**	**44,849,068**	**25,838,400**	**1,117,917**	**281,094,092**
Written down value							
Balance at 31 March 2018	**161,111,875**	**47,219,401**	**10,082,602**	**27,974,276**	**4,511,182**	**2,235,834**	**253,135,171**
Balance at 31 March 2017	**168,904,478**	**54,385,507**	**12,676,882**	**27,799,481**	**7,077,591**	**-**	**270,843,939**

12.1 Cost of PPE amounting to Rs. 82,341,230/- (31 March 2017 - Rs. 73,158,449/-) which were fully depreciated are still in use as at the end of the reporting date.

Notes to the Financial Statements Contd.

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
13. LEASEHOLD LAND				
Cost	6,580,075	6,580,075	6,580,075	6,580,075
Accumulated amortisation	(1,493,905)	(1,424,309)	(1,493,905)	(1,424,309)
Balance at the end of the year	5,086,170	5,155,766	5,086,170	5,155,766

The details of the leasehold land are as follows.

Property	Lessor	Lease period	Extent	Number of Buildings
No. 133, 7th Lane, Off Borupana Road, Kandawala, Rathmalana.	Urban Development Authority	99 Years commencing from 23 March 1994	2A- 2R- 5.50P	2

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
14. INTANGIBLE ASSETS				
Computer software				
Cost				
Balance at the beginning of the year	10,913,321	10,420,503	10,913,321	10,420,503
Additions during the year	1,315,502	492,818	1,315,502	492,818
Balance at the end of the year	12,228,823	10,913,321	12,228,823	10,913,321
Accumulated amortisation				
Balance at the beginning of the year	1,997,772	947,508	1,997,772	947,508
Charge for the year	1,160,359	1,050,264	1,160,359	1,050,264
Balance at the end of the year	3,158,131	1,997,772	3,158,131	1,997,772
Written down value at the end of the year	9,070,692	8,915,549	9,070,692	8,915,549

15. INVESTMENT IN SUBSIDIARY

Unquoted investments	Holding %	Number of shares	31.03.2018 Rs.	31.03.2017 Rs.
Soy Products (Pvt) Ltd	100	2	20	20

The subsidiary has not carried out any operations during the year under review.

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
16. INVENTORIES				
Raw materials and consumables	57,314,725	47,381,795	57,314,725	47,381,795
Finished goods	77,742,497	39,664,561	77,742,497	39,664,561
Spares and accessories	25,735,410	23,974,159	25,735,410	23,974,159
	160,792,632	111,020,516	160,792,632	111,020,516
Less: Provision for slow moving inventories (Note 16.1)	(660,794)	(700,157)	(660,794)	(700,157)
	160,131,838	**110,320,359**	**160,131,838**	**110,320,359**
16.1 Provision for slow moving inventories				
Balance at the beginning of the year	700,157	1,825,363	700,157	1,825,363
Charge/ (recovered) during the year	2,293,405	(23,574)	2,293,405	(23,574)
Write off	(2,332,768)	(1,101,632)	(2,332,768)	(1,101,632)
Balance at the end of the year	**660,794**	**700,157**	**660,794**	**700,157**
17. TRADE AND OTHER RECEIVABLES				
Trade receivables	283,898,448	202,979,221	283,898,448	202,979,221
Less: allowances for impairment of trade receivables (Note 17.1)	(540,126)	(75,623)	(540,126)	(75,623)
Trade receivables - net	283,358,322	202,903,598	283,358,322	202,903,598
Other receivables	25,288,643	37,362,692	25,288,643	37,362,692
	308,646,965	**240,266,290**	**308,646,965**	**240,266,290**
17.1 Allowance for impairment of trade receivables				
Balance at the beginning of the year	75,623	1,516,978	75,623	1,516,978
Charge/ (recovered) during the year	531,738	75,623	531,738	75,623
Write off	(67,235)	(1,516,978)	(67,235)	(1,516,978)
Balance at the end of the year	**540,126**	**75,623**	**540,126**	**75,623**
18. AMOUNTS DUE FROM RELATED PARTIES				
Ceylon Biscuits Limited	2,844,810	1,618,837	2,844,810	1,618,837
CBL Foods International (Pvt) Ltd	79,280	689	79,280	689
CBL Global Foods (Pvt) Ltd	1,140,423	-	1,140,423	-
Plenty Foods (Pvt) Ltd	463,114	225,509	463,114	225,509
	4,527,627	**1,845,035**	**4,527,627**	**1,845,035**
19. OTHER FINANCIAL ASSETS				
Fixed deposits	476,498,112	312,682,790	476,498,112	312,682,790
	476,498,112	**312,682,790**	**476,498,112**	**312,682,790**

Notes to the Financial Statements Contd.

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
20. CASH IN HAND AND AT BANK				
People's Bank (Current Account)	340,645	4,005,909	340,645	4,005,909
Hatton National Bank (Current Account)	1,217,854	817,514	1,217,854	817,514
DFCC Bank (Current Account)	-	327	-	327
Petty cash	150,000	93,264	150,000	93,264
Hatton National Bank (Money Market Savings) (Note 20.1)	29,712,228	12,979,004	29,712,228	12,979,004
	31,420,727	17,896,018	31,420,727	17,896,018

20.1 The Money Market Savings account with Hatton National Bank is operated as Money Market Savings account linked with current account where minimum balance of at any given time Rs. 500,000/- is maintained.

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
21. STATED CAPITAL				
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
	52,521,178	52,521,178	52,521,178	52,521,178

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Restated Rs.	Company 01.04.2016 Restated Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Restated Rs.	Group 01.04.2016 Restated Rs.
22. OTHER RESERVES						
Gain on disposal of Share Trust	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945	41,613,945
	41,613,945	41,613,945	41,613,945	41,613,945	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 the 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.

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
23. DEFERRED TAX ASSET/ (LIABILITY)				
Balance at the beginning of the year	(20,385,817)	(15,984,924)	(20,385,817)	(15,984,924)
Charge/ (reversal) during the year				
Through income statement	31,628	(2,490,030)	31,628	(2,490,030)
Through OCI	1,707,773	(1,910,863)	1,707,773	(1,910,863)
Balance at the end of the year - asset/ (liability)	(18,646,416)	(20,385,817)	(18,646,416)	(20,385,817)
23.1 Deferred tax for the period is arising from:				
Origination of temporary difference from PPE	(1,877,868)	(3,237,233)	(1,877,868)	(3,237,233)
Origination of temporary difference from RBO - through profit/ (loss)	1,909,496	747,202	1,909,496	747,202
Origination of temporary difference from RBO - through OCI	1,707,773	(1,910,863)	1,707,773	(1,910,863)
	1,739,401	(4,400,893)	1,739,401	(4,400,893)
23.2 Deferred tax asset is arising from the temporary differences of:				
Deferred tax asset				
Retirement benefit obligation (RBO)	15,172,856	11,555,587	15,172,856	11,555,587
Deferred tax liability				
Property, plant & equipment (PPE)	(33,819,272)	(31,941,404)	(33,819,272)	(31,941,404)
Net deferred tax liability	(18,646,416)	(20,385,817)	(18,646,416)	(20,385,817)
24. RETIREMENT BENEFIT OBLIGATIONS				
Balance at the beginning of the year	41,269,953	45,425,885	41,269,953	45,425,885
Current service cost	4,575,438	3,218,676	4,575,438	3,218,676
Interest cost	5,261,919	5,451,106	5,261,919	5,451,106
Actuarial (gains)/ losses recognised	6,099,190	(6,824,511)	6,099,190	(6,824,511)
Payments during the year	(3,017,728)	(6,001,202)	(3,017,728)	(6,001,202)
Balance at the end of the year	54,188,772	41,269,953	54,188,772	41,269,953

The amount recognised in the statement of comprehensive income is as follows:

Year ended 31 March	2017/2018 Rs.	2016/2017 Rs.	2017/2018 Rs.	2016/2017 Rs.
Current service cost	4,575,438	3,218,676	4,575,438	3,218,676
Interest cost	5,261,919	5,451,106	5,261,919	5,451,106
Actuarial (gains)/ losses recognised	6,099,190	(6,824,511)	6,099,190	(6,824,511)
	15,936,547	1,845,271	15,936,547	1,845,271

Notes to the Financial Statements Contd.

24. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

24.1 An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2018 by Messrs. Actuarial & Management Consultants (Pvt) 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).

24.2 The principal assumptions used for this purpose are as follows :

Company/ Group		As at 31.03.2018	As at 31.03.2017
Discount rate		11%	12.75%
Future salary increment rate	Executives	12%	10%
	Staff	12%	11%
	Associates	12%	12%
Retirement age		55 years	55 years
Average expected future services		10 years	9 years

24.3 Assumption regarding future mortality are based on A1967/70 Mortality Table, issued the Institute of Actuaries, London, United Kingdom.

24.4 Sensitivity analysis is an analysis which will give the movement in liability if the assumption were not proved to be true on different count. This only signifies the change in the liability if the difference between assumed and the actual is not following the parameters of the sensitivity analysis.

Company/ Group	As at 31.03.2018 Rs.	As at 31.03.2017 Rs.
Sensitivity analysis		
Project benefit obligation on current assumption	54,188,772	41,269,953
One percentage point increase (+1%) in discount rate	50,039,912	38,792,281
One percentage point decrease (-1%) in discount rate	58,939,977	44,069,783
One percentage point increase (+1%) in salary escalation rate	59,215,136	44,125,026
One percentage point decrease (-1%) in salary escalation rate	49,730,022	38,700,376

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
25. TRADE AND OTHER PAYABLES				
Trade creditors	90,982,068	59,233,239	90,982,068	59,233,239
Other payables	25,636,972	21,523,769	26,205,610	22,092,407
Accrued expenses	108,763,342	62,817,043	108,763,342	62,817,043
	225,382,382	143,574,051	225,951,020	144,142,689

As at	Company 31.03.2018 Rs.	Company 31.03.2017 Rs.	Group 31.03.2018 Rs.	Group 31.03.2017 Rs.
26. CURRENT TAX LIABILITIES				
Balance at the beginning of the year	15,898,090	2,846,834	15,898,090	2,846,834
(Over)/ under provision for previous year's taxes	(820,867)	95,997	(820,867)	95,997
Provision for the period	87,797,028	48,569,917	87,797,028	48,569,917
	102,874,251	51,512,748	102,874,251	51,512,748
Tax credit				
Economic service charge, self assessment payments, other refunds and final tax payments	(50,942,780)	(33,892,356)	(50,942,780)	(33,892,356)
Withholding tax receivable	(3,877,786)	(1,722,302)	(3,877,786)	(1,722,302)
Balance at the end of the year	48,053,685	15,898,090	48,053,685	15,898,090
27. AMOUNTS DUE TO RELATED PARTIES				
CBL Foods International (Pvt) Ltd	1,716,218	1,567,200	1,716,218	1,567,200
Plenty Foods (Pvt) Ltd	1,453,454	616,000	1,453,454	616,000
CBL global Foods (Pvt) Ltd	7,397	-	7,397	-
CBL Agro Processors (Pvt) Ltd	-	1,165,000	-	1,165,000
Soy Products (Pvt) Ltd	-	348,947	-	-
CBL Natural Foods (Pvt) Ltd	208,160	-	208,160	-
CBL Canneries (Pvt) Ltd	101,200	-	101,200	-
Ceylon Biscuits Limited	876,563	208,781	876,563	208,781
	4,362,992	3,905,928	4,362,992	3,556,981

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

28.1 Accounting classification and fair value of financial instruments

Financial instruments measured subsequently on the ongoing basis either at fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains/ (losses), are recognised.

The following is a description of how fair values are determined for financial instruments that are recorded at fair values using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : Category of financial assets that are measured in whole or in partly by reference to published quotes in an active market

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Notes to the Financial Statements Contd.

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTD.)

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

	Carrying amount	Fair value		
As at 31 March 2018		Level 1	Level 2	Level 3
Company/ Group	Rs.	Rs.	Rs.	Rs.
Financial assets				
- Assets carried at amortised cost				
Other financial assets	476,498,112	-	-	-
Trade receivables	283,358,322	-	-	-
Other receivables	1,464,702	-	-	-
Amounts due from related parties	4,527,627	-	-	-
Cash and cash equivalents	31,420,727	-	-	-
Total financial assets	797,269,490	-	-	-
Financial liabilities				
- Liabilities carried at amortised cost				
Trade payables	90,982,068	-	-	-
Amounts payable to related parties	4,362,992	-	-	-
Total financial liabilities	95,345,060	-	-	-

	Carrying amount	Fair value		
As at 31 March 2017		Level 1	Level 2	Level 3
Company/ Group	Rs.	Rs.	Rs.	Rs.
Financial assets				
- Assets carried at amortised cost				
Other financial assets	312,682,790	-	-	-
Trade receivables	202,903,598	-	-	-
Other receivables	1,505,133	-	-	-
Amounts due from related parties	1,845,035	-	-	-
Cash and cash equivalents	17,896,018	-	-	-
Total financial assets	536,832,574	-	-	-
Financial liabilities				
- Liabilities carried at amortised cost				
Trade payables	59,233,239	-	-	-
Amounts payable to related parties	3,905,928	-	-	-
Total financial liabilities	63,139,167	-	-	-

28.1.1 Determination of fair value of financial assets with short maturities

Carrying values of financial assets and liabilities that have a short term maturity such as trade and other receivables and payables, fixed deposits, cash and cash equivalents are reasonable approximation of their fair values. Therefore, fair value hierarchy is not applicable.

29. 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 the Convenience Foods (Lanka) PLC strategic and financial goals. Convenience Foods (Lanka) PLC has established a sound risk management framework to identify and mitigate the risk exposure.

Financial instruments held by the Company, principally comprise of cash, trade receivables, trade payables and investments held under amortised cost category. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Company.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversee 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 Group's finance department.

Convenience Foods (Lanka) PLC has identified 03 critical types of risk which can affect on Company's operations adversely as credit, liquidity and market risks.

29.1 Credit risk

Credit risk is the risk that 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, including deposits with banks, 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 group of counterparties. The Company has established policies and procedures to evaluate the clients before approving credit terms. Debtor balance as at 31 March 2018 comprises Modern Trade, General trade, Direct Dealers and individuals representing 42.50%, 52.47%, 4.74%, 0.04% 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.

Notes to the Financial Statements Contd.

29. RISK MANAGEMENT FRAMEWORK, OBJECTIVES AND POLICIES (CONTD.)

The requirement for impairment is analysed at each reporting date on an individual basis for major 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.

a) The maximum exposure to credit risk at reporting date

Company/ Group	As at 31.03.2018	As at 31.03.2017
Cash at bank and cheques in hand (Note 20)	31,270,727	17,802,755
Other financial assets	476,498,112	312,682,790
Trade receivables	283,358,322	202,903,598
	791,127,161	533,389,143

b) The aging of the trade receivables at the reporting date

Company/ Group	Gross Receivables		Impairment Allowance		Carrying Value	
As at	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Not due	239,981,752	175,671,633	-	-	239,981,752	175,671,633
Past due:						
Past due 1-30 days	18,995,842	14,742,691	-	-	18,995,842	14,742,691
Past due 31-60 days	8,741,174	4,748,697	-	-	8,741,174	4,748,697
Past due 61-90 days	7,242,246	5,287,462	-	-	7,242,246	5,287,462
Past due 91-120 days	2,816,185	649,537	-	-	2,816,185	649,537
More than 120 days	6,121,249	1,879,201	540,126	75,623	5,581,123	1,803,578
Total trade receivables	283,898,448	202,979,221	540,126	75,623	283,358,322	202,903,598

The Company grants credit approvals to it's 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 impairment allowances

Company/ Group	As at 31.03.2018	As at 31.03.2017
Balance at the beginning of the year	75,623	1,516,978
Charge/ (Recovered) during the year	531,738	75,623
Write off	(67,235)	(1,516,978)
Balance at the end of the year	540,126	75,623

Allowance for impairment of Rs. 540,126/- (31 March 2017 - Rs. 75,623/-) has been made in respect of trade receivables, as at the reporting date. Unimpaired amounts are considered collectible in full, based on historic payment behaviour and analysis of customer's credit risks.

d) Investments

The Company limits its exposure to credit risk by investing in fixed deposits with selected bankers which have better ratings.

e) Cash equivalents

The Company held cash at bank and cheques in hand of Rs. 31,270,727/- as at 31 March 2018 (31 March 2017 - Rs. 17,802,755/-) which represents its maximum credit exposure on these assets. The cash equivalents are held with bank and financial institutions counterparties, which have better ratings.

29.2 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 does not have any financial liquidity risk since the Company does not have any borrowings as at 31 March 2018 and the Company maintains adequate cash and cash equivalents to meet its obligations.

29.3 Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

a) Foreign currency risk

The foreign currency risk is the risk that the fair values or future cash flows of a financial instrument fluctuating due to changes in foreign exchange rates. The Company is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR) on its pending letter of credit valued at Rs. 114,962,755/-, shipping guarantee valued at Rs. 33,420,600/- and import bills valued at Rs. 16,765,397/- as at 31 March 2018 (31 March 2017 - Rs. 55,771,314/-, Rs. 65,948,400/- and 4,057,800/- respectively). The movement of the LKR against the USD by Rs. 1 per USD, will have a total impact of Rs. 1,055,048/- (31 March 2017 - Rs. 838,181/-) on the Financial Statements.

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 is not exposed to interest rate fluctuations on its investments in fixed deposits amounting to Rs. 476,498,112/- (31 March 2017 - Rs. 312,682,790/-), since the financial assets are transacted on fixed rate interest terms.

The Company has obtained an overdraft facility amounting to Rs. 20,000,000/- at an interest rate of AWPLR +1% from Hatton National Bank PLC by negative pledge over project assets, which has a direct impact on the interest expense due to the fluctuation of the interest rates. However, as at the reporting date, the Company had not utilised the overdraft facility.

Other than the above, the Company does not have any financial instruments on which the realisable/ market value will have significant effect by the movements of interest rates as at 31 March 2018.

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 Contd.

30. RELATED PARTY DISCLOSURES

30.1 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 of the Company. Compensation to Key Management Personnel are as follows:

	Company		Group	
Year ended 31 March	2017/2018 Rs.	2016/2017 Rs.	2017/2018 Rs.	2016/2017 Rs.
Short term employee benefits	13,224,887	11,750,695	13,224,887	11,750,695

30.2 Transactions of the Company with its subsidiary

Name of the Company	Nature of transaction	Transaction value 2017/2018 Rs.	Balance as at 31.03.2018 Rs.
Soy Product (Pvt) Ltd	Write-back of payables	348,947	-

30.3 Transactions of the Company with Group Companies

Name of the Company	Nature of transaction	Transaction value 2017/2018 Rs.	Balance as at 31.03.2018 Rs.
Ceylon Biscuits Limited	Sales	16,369,143	2,844,810
	Purchase of raw materials	4,954,831	(876,563)
	Reimbursement of expenses to the Company	517,934	
Plenty Foods (Pvt) Ltd	Sales	14,632,408	463,114
	Purchase of raw materials	24,943,911	(1,453,454)
	Reimbursement of expenses from the Company	3,706,971	
	Reimbursement of expenses to the Company	1,119,235	
CBL Foods International (Pvt) Ltd	Sales	396,403	79,280
	Purchase of raw materials and services obtained	15,726,924	(1,716,218)
	Reimbursement of expenses to the Company	86,761	
Ritzbury Lanka (Pvt) Ltd	Stores rent expenses	1,740,000	-
CBL Natural Foods (Pvt) Ltd	Reimbursement of expenses to the Company	208,160	(208,160)
CBL Global Foods (Pvt) Ltd	Reimbursement of expenses from the Company	2,990,624	1,140,423
	Reimbursement of expenses to the Company	7,398	(7,397)
CBL Canneries (Pvt) Ltd	Purchase of raw materials	326,600	(101,200)

"Sales of finished goods to related parties were made at the Company's usual list prices. Purchases and sales of raw materials were made with a nominal mark-up. Expense reimbursements made according to the cost incurred by the related parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties."

31. COMMITMENTS AND CONTINGENCIES

31.1 Financial commitments

Commitments on account of letter of credit as at 31 March 2018 was Rs. 114,692,755/- (31 March 2017: Rs. 55,771,314/-). Shipping Guarantees as at 31 March 2018 was Rs. 33,420,600/- (31 March 2017: 65,948,400/-). Import Bills as at 31 March 2018 was Rs. 16,765,397/- (31 March 2017: Rs. 4,057,800/-).

31.2 Capital commitments

There were no significant capital commitments as at reporting date.

31.3 Contingencies

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 pertaining to legal issues 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 amounted to a sum of Rs. 8,871,886/- and surcharge on income tax of Rs. 1,072,031/- (plus any penalties payable thereon). Pending the final decision, no provision has been made in these Financial Statements.

32. 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.

33. EXPLANATION ON RESTATEMENT OF FINANCIAL STATEMENTS

During the financial year, Securities and Exchange Commission of Sri Lanka has brought to the attention of the Company that the accounting treatment adopted by the Company in relation to the loan provided to the Employee Share Trust had not been properly interpreted in accordance with the requirements of Sri Lanka Accounting Standards as detailed below.

As stated in the annual report for the year ended 31 March 2015, 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 set up by the Company. As per Sri Lanka Accounting Standards, the Company determined to classify the loan provided to Share Trust as "available for sale" financial assets and measured at fair value at each reporting date.

During the year ended 31 March 2015, the shares held by the Trustees of the Share Trust were disposed of to be in compliance with Sec 5.6.10 of the Colombo Stock Exchange Listing Rules and the Group recognised a "total gain on disposal of the shares held by the Trust" amounting to Rs. 41,613,945/- and recognised the said gain in the Profit/ (Loss) Account. The said gain of Rs. 41,613,945/- includes the transfer of Rs. 33,030,758/- from Available For Sale Reserve to the Profit/ (loss) upon de-recognition (including the current year increase in fair value of Rs. 8,655,242/-) and the gain on disposal of Rs. 8,583,187/- recognised during the year.

Notes to the Financial Statements Contd.

33. EXPLANATION ON RESTATEMENT OF FINANCIAL STATEMENTS (CONTD.)

As per the interpretation of the Sri Lanka Accounting Standards, the said loan given by the Company to the Share Trust requires to be recognised as a loan provided to buy back the Company's own shares. In compliance with the Sri Lanka Accounting Standards, 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 an appropriate reserve without recognising any adjustments to the profit or total comprehensive income for the respective year.

Due to this adjustment, in the Group and Company Financial Statements, the total profit for the year and total comprehensive income for the year ended 31 March 2015 is overstated by Rs. 41,613,945/- and Rs. 17,238,429/- respectively. Further, this adjustment resulted in a reduction in the basic earnings per share from Rs. 59.97 to Rs. 44.84 in the Group and Company Financial Statements for the year ended 31 March 2015.

The above adjustment, does not result in changes to the reported total equity of the Group and Company amounting to Rs. 574,789,866/- and Rs. 575,009,577/- respectively as at 31 March 2015. Instead, a reclassification adjustment equivalent to Rs. 41,613,945/- was made from retained earnings to a separate reserve titled "Other Reserves". This has been adjusted retrospectively in accordance with Sri Lanka Accounting Standards, LKAS 08 Accounting Policies, Changes in Accounting Estimates and Errors.

The impact on the Group and Company's statement of financial position and Group and Company's statement of changes in equity as at 01 April 2016 and 31 March 2017 are given in note 33.1 and 33.2 respectively.

A market announcement was made by the Company on 04 May 2018 regarding the restatement of the Financial Statements and informing that the accounting treatment followed is in compliance with the requirements of the Sri Lanka Accounting Standards under the Company's separate Financial Statements and the accounting treatment followed is not appropriate only in the consolidated Financial Statements. Subsequent to the market announcement, the Company determined that it would be appropriate to follow a consistent accounting policy in the Group and Company Financial Statements.

33.1 Statement of financial position and statement of changes in equity as at 01 April 2016

Line item	Balance as previously reported Rs.	Prior period adjustment Rs.	Restated balance Rs.
33.1.1 Group			
Stated capital	52,521,178	-	52,521,178
Other reserves	-	41,613,945	41,613,945
Retained earnings	609,122,990	(41,613,945)	567,509,045
Total equity	**661,644,168**	**-**	**661,644,168**
33.1.2 Company			
Stated capital	52,521,178	-	52,521,178
Other reserves	-	41,613,945	41,613,945
Retained earnings	609,342,701	(41,613,945)	567,728,756
Total equity	**661,863,879**	**-**	**661,863,879**

33.2 Statement of financial position and statement of changes in equity as at 31 March 2017

Line item	Balance as previously reported Rs.	Prior period adjustment Rs.	Restated balance Rs.
33.2.1 Group			
Stated capital	52,521,178	-	52,521,178
Other reserves	-	41,613,945	41,613,945
Retained earnings	690,151,038	(41,613,945)	648,537,093
Total equity	742,672,216	-	742,672,216
33.2.2 Company			
Stated capital	52,521,178	-	52,521,178
Other reserves	-	41,613,945	41,613,945
Retained earnings	690,370,749	(41,613,945)	648,756,804
Total equity	742,891,927	-	742,891,927

34. RECLASSIFICATION AND COMPARATIVE FIGURES

During the year ended 31 March 2018, the Company reclassified certain payroll related expenses based on the function of expense. The statements of profit or loss and other comprehensive income for the year ended 31 March 2017, were reclassified to enhance comparability with the current year's Financial Statements.

As a result, certain line items have been amended in the statement of profit or loss and other comprehensive income. Comparative figures have been adjusted to confirm to the current year's presentation. The items reclassified are as follows:

Year ended 31 March 2017	Company / Group		
Items reclassified in the statement of comprehensive income	Balance as previously reported Rs.	Adjustment for prior period reclassification Rs.	Reclassified balance Rs.
Cost of sales	(1,024,036,869)	(24,014,590)	(1,048,051,459)
Gross profit	522,439,072	(24,014,590)	498,424,482
Distribution expenses	(300,912,384)	(13,121,820)	(314,034,204)
Administrative expenses	(126,230,232)	37,136,409	(89,093,823)

Shareholder and Investor Information

ORDINARY SHAREHOLDERS

Number of shareholders - 1,547 as at 31 March 2018

From	To	Number of shareholders	Number of shares	Holding %
1 -	1,000	1,491	135,032	4.91
1,001 -	10,000	47	146,286	5.32
10,001 -	100,000	6	138,404	5.03
100,001-	1,000,000	2	367,301	13.36
Over	1,000,000	1	1,962,977	71.38
		1,547	**2,750,000**	**100.00**

CATEGORIES OF SHAREHOLDERS

Categories	Number of shareholders	Number of shares	Holding %
Local Individuals	1,490	309,297	11.25
Local Institutions	47	2,364,074	85.97
Foreign Individuals	9	76,579	2.78
Foreign Institutions	1	50	0.00
	1,547	**2,750,000**	**100.00**

DETAILS OF SHARES TRADED DURING THE YEAR

Market price per share	As at 31.03.2018 Rs.	As at 31.03.2017 Rs.
Highest during the year	450.00	480.00
Lowest during the year	327.00	300.00
As at end of the year	430.00	310.00
Market Capitalisation as at 31 March (Rs. Mn)	1,182.50	852.50

MAJOR HOLDERS OF EQUITY

	31.03.2018		31.03.2017	
	No. of shares	Holding %	No. of shares	Holding %
1. CBL INVESTMENTS LIMITED	1,962,977	71.38	-	-
CEYLON BISCUITS LIMITED	-	-	1,962,977	71.38
2. DAWI INVESTMENT TRUST (PRIVATE) LTD	184,465	6.71	175,084	6.37
3. PEOPLE'S LEASING & FINANCE PLC/ C D KOHOMBANWICKRAMA	182,836	6.65	169,605	6.17
4. MR. H W M WOODWARD (DECEASED)	70,628	2.57	70,628	2.57
5. MR. A M D E S JAYARATNE	18,570	0.68	18,570	0.68
6. MR. K C VIGNARAJAH	14,210	0.52	14,200	0.52
7. BANSEI SECURITIES CAPITAL (PRIVATE) LTD/ DAWI INVESTMENT (PRIVATE) LTD	13,833	0.50	14,159	0.52
8. MR. E D K WEERASURIYA	10,765	0.39	10,765	0.39
9. MR. R J S JAYAMAHA	10,398	0.38	10,398	0.38
10. MR. L H S PEIRIS	7,730	0.28	7,730	0.28
11. MRS. N A CHANDRASENA & MR. J U N CHANDRASENA	7,005	0.25	7,505	0.27
12. MR. U I SURIYABANDARA	6,931	0.25	6,507	0.24
13. MR. G W AMARATUNGA	6,900	0.25	6,900	0.25
14. MR. Z G CARIMJEE	6,867	0.25	6,867	0.25
15. MRS. S VIGNARAJAH	6,300	0.23	6,300	0.23
16. MR. A J RUMY	6,200	0.23	6,200	0.23
17. MRS. M M UDESHI	6,000	0.22	6,000	0.22
18. MR. D RATNAYAKE	5,700	0.21	5,700	0.21
19. NATIONAL DEVELOPMENT BANK PLC/ SAKUVI INVESTMENT TRUST (PRIVATE) LTD	5,000	0.18	5,000	0.18
20. DR. S YADDEHIGE	4,998	0.18	4,998	0.18
SUB TOTAL	2,538,313	92.30	2,516,093	91.49
OTHERS	211,687	7.70	233,907	8.51
TOTAL	**2,750,000**	**100.00**	**2,750,000**	**100.00**

As at 31 March 2018, Convenience Food (Lanka) PLC had a float adjusted market capitalisation of Rs. 338.43 Mn and 1,546 public shareholders. Thus, the Company is compliant under option 5 of the minimum threshold requirements for the Main Board of the Colombo Stock Exchange by having 28.62% of public shareholding, as per Section 7.13.1 of Colombo Stock Exchange Continuing Listing Rules.

Performance Summary

Group data	For the Year Ended 31.03.2018	For the Year Ended 31.03.2017 Restated	For the Year Ended 31.03.2016 Restated	For the Year Ended 31.03.2015 Restated	For the Year Ended 31.03.2014 Restated
PROFITABILITY (Rs.)					
Revenue (Net)	1,915,822,410	1,546,475,941	1,655,253,143	1,742,502,671	1,343,789,021
Profit/ (Loss) from operating activities	200,267,440	95,296,456	127,241,375	171,888,441	113,031,106
Finance cost	(327,338)	(1,943,100)	(3,110,807)	(5,045,496)	(9,088,221)
Other income	57,038,049	44,916,987	25,912,149	13,561,664	11,510,815
Profit before taxation	256,978,151	138,270,344	150,042,717	180,404,609	115,453,701
Taxation	(86,944,533)	(51,155,944)	(53,512,713)	(57,096,337)	(29,483,821)
Profit after taxation	170,033,618	87,114,400	96,530,003	123,308,273	85,969,880
INVESTORS' FUND (Rs.)					
Stated capital	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	-
Retained earnings	803,179,294	648,537,093	567,509,045	480,654,743	368,941,463
Non current liabilities	72,835,188	61,655,770	62,892,291	64,904,528	72,248,432
Total investors' fund	970,149,605	804,327,986	724,536,460	639,694,394	493,711,071
ASSETS EMPLOYED (Rs.)					
Current assets	981,225,269	683,010,492	633,502,296	622,889,404	388,177,152
Current liabilities	278,367,697	163,597,760	214,770,986	263,946,981	190,702,954
Working capital	702,857,572	519,412,732	418,731,310	358,942,423	197,474,198
Non current asset	267,292,033	284,915,254	305,805,150	280,751,970	296,236,873
Total assets employed	970,149,605	804,327,986	724,536,460	639,694,394	493,711,071
KEY FINANCIAL INDICATORS					
Market price of a share as at year end	430.00	310.00	365.00	325.70	210.00
Net assets per share	326.30	270.06	240.60	209.01	153.26
Earnings per share	61.83	31.68	35.10	44.84	31.26
Dividend per share	4.00	4.00	5.50	3.00	1.50
Price earnings ratio (year end)	6.95	9.79	10.40	7.26	6.72
Market capitalisation (Rs.'000)	1,182,500	852,500	1,003,750	895,675	577,500
Return on capital employed	28.68%	18.88%	22.49%	30.31%	26.15%
Dividend pay out ratio	0.06	0.13	0.16	0.07	0.05
Interest cover (Times covered)	786	72	49	37	14
Current ratio (No. of Times)	3.52	4.17	2.95	2.36	2.04

Certain comparatives of the previous years have been restated to conform to the presentation of Financial Statements as at 31.03.2018.

Employee Statistics

EMPLOYEE STRENGTH

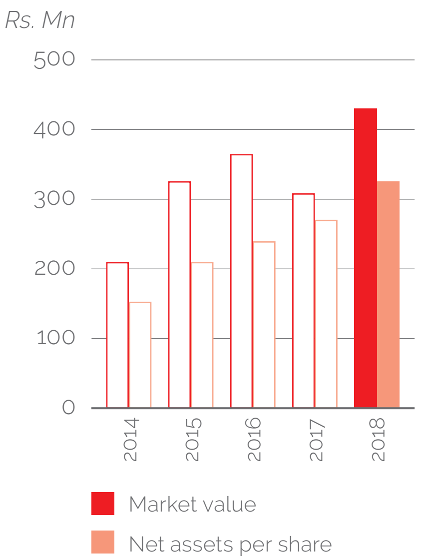
	As at 31.03.2018	As at 31.03.2017
Executive Staff		
Director	1	1
Senior Managers	2	2
Managers	5	4
Assistant Managers	7	8
Executives	16	16
	31	**31**
Non Executive Staff		
Support Staff		
Permanent	92	78
Contract	1	1
Factory Staff		
Permanent	124	121
Contract	6	2
	223	**202**
Functional Analysis of Executives		
General Management	1	1
Finance	4	4
Stores	1	1
Information Technology	1	1
Sales & Marketing	10	12
Production	4	4
Quality Assurance	3	3
Research & Development	2	1
Procurement	2	1
Human Resources	1	1
Administration	2	2
	31	**31**

Graphical Review

Market Value vs Net Assets Per Share

Rs.430Mn

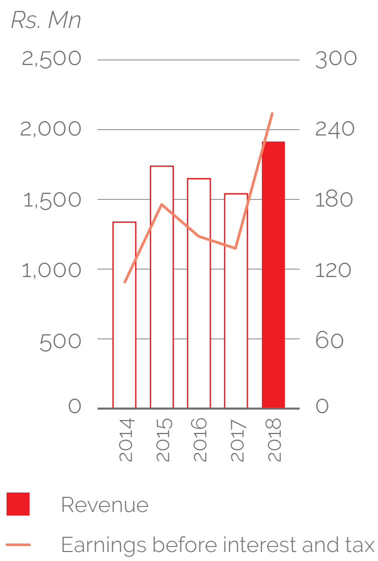
Rs.326Mn



Revenue & EBIT

Rs.1,916Mn

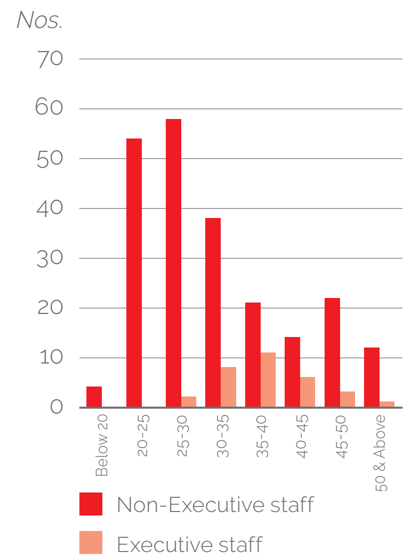
Rs.257Mn



Employee Age Analysis

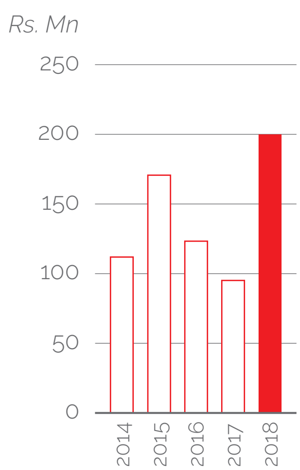
223 Non-Executive staff

31 Executive staff



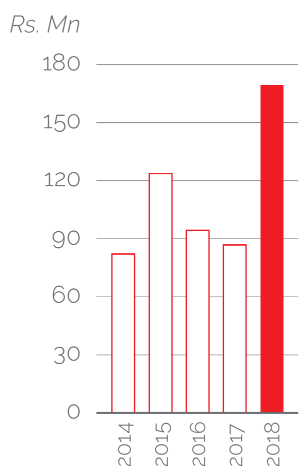
Operating Profit

Rs.200Mn



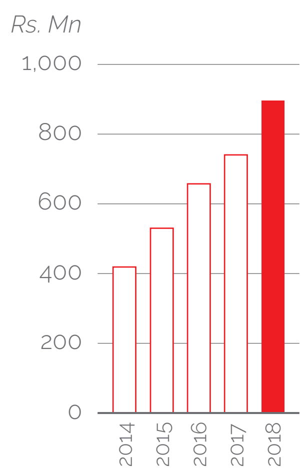
Profit After Taxation

Rs.170Mn



Shareholders' Funds

Rs.897Mn



Glossary of Financial Terms

Capital Employed
The total of stated capital, capital reserves, revenue reserves and interest bearing liabilities.

Capital Reserves
Reserves identified for specific purposes and considered not available for distribution.

Current Ratio
Total current assets divided by total current liabilities.

Market Value (price) per Share
The price at which an ordinary share is traded in the market.

Dividend per Share
Gross dividend divided by the number of ordinary shares in issue at the year end.

Earnings per Share
Profit attributable to ordinary shareholders divided by the number of shares in issue.

Dividend Payout Ratio
Ordinary dividend per share divided by earnings per share.

Interest Cover
Profit before tax plus interest charges divided by interest charges.

Market Capitalisation
Number of shares in issue at the end of the financial year multiplied by the market value of a share as at that date.

Float Adjusted Market Capitalisation
Public holding percentage multiplied by market capitalisation.

Net Assets per Share
Total assets less total liabilities (net assets employed) divided by the number of shares.

Profit before tax margin
Profit before taxation divided by turnover.

Price Earnings Ratio
Market price of a share as at the end of the financial year divided by the earnings per share for the financial year.

Return on Capital Employed
Earnings Before Interest & Tax divided by Capital Employed

Return on Equity
Profit after tax divided by shareholder's equity.

Return on Assets
Profit after tax divided by total assets.

Shareholders' Funds
Total of stated capital, capital reserves and revenue reserves.

Total Debt
The total of long and short term (current) borrowings.

Working Capital
Capital required to finance day to day operations (Current assets minus current liabilities).

Notes

Notes

Notes

Form of Proxy

I/We*.. NIC No. ....

of..

being a shareholder/s* of CONVENIENCE FOODS (LANKA) PLC hereby appoint..

of..or failing him*;

Mr. Ramya Sanath 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*

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 Twenty Seventh (27th) Annual General Meeting of the Company to be held on 19 September 2018 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. ORDINARY BUSINESS		
1.1 Declare a first and final dividend of Rs. 5/- per share for the year ended 31 March 2018.		
1.2 To pass the ordinary resolution set out under item 1.3 of the Notice of Meeting for the re-appointment of Mr. R S Wickramasingha as a Director of the Company.		
1.3 To re-appoint the retiring Auditors Messrs. SJMS Associates, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration.		
1.4 To authorise the Directors to determine donations for the year ending 31 March 2019 and up to the date of the next Annual General Meeting.		
2. SPECIAL BUSINESS		
To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the appointment of Mr. L J M De Silva as a Director of the Company.		

In witness my/our* hand this .... day of .... Two Thousand and Eighteen.

....

Signature/s 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.

INSTRUCTIONS FOR COMPLETION

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.

If the appointor is a Company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Statute.

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.

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.

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/ her discretion will vote as he/ she thinks fit.

The completed Form of Proxy should be deposited at the Registered Office of the Company, C/o Ceylon Biscuits Limited, Makumbura, Pannipitiya by 3.30 p.m. on 17 September 2018.

Corporate Information

Name of the Company
Convenience Foods (Lanka) PLC
(Formerly known as Soy Foods (Lanka) PLC)

Legal Form and Listing
A Public Limited Company listed on the
Colombo Stock Exchange

Date of Incorporation
27 March 1991

Registered Office
Ceylon Biscuits Limited,
Makumbura,
Pannipitiya.

Principal Place of Business
No. 133, 7th Lane, Off Borupana Road,
Kandawala, Rathmalana.

Tel: +94 11 2611154, +94 11 2624408, +94 11 5003000
E-mail: inquiry.cf@cbllk.com
Web: www.muncheelk.com

Principal Business Activity
Manufacture and Marketing of Textured Vegetable
Protein (TVP) and Other Food Products.

Directors of the Company
Mr. R S Wickramasingha - Chairman
Mr. E T De Zoysa - Managing Director
Ms. D S Wickramasingha
Mr. N A Wickramage (Resigned on 01 April 2018)
Ms. N K Wickramasingha
Mr. M U S G Thilakawardana
Dr. D M A Kulasooriya
Mr. M S Nanayakkara

Auditors
SJMS Associates
Chartered Accountants,
No. 11, Castle Lane,
Colombo 04.

Secretaries & Registrars
P. W. Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road,
Colombo 08.

Bankers
Hatton National Bank PLC
Peoples Bank
DFCC Bank PLC
Commercial Bank of Ceylon PLC

Concept & Designed by
Copyline a great equation
Printed by Printel (Pvt) Ltd

Member of the CBL Group

Convenience Foods (Lanka) PLC
No. 133, 7th Lane, Off Borupana Road,
Kandawala, Rathmalana.

Tel: +94 11 2611154, +94 11 2624408, +94 11 5003000
E-mail: inquiry.cf@cbllk.com

www.muncheelk.com